

TRUDEAU  
TRADE VS.  
HUMAN RIGHTS

CANADA'S WEEKLY NEWSMAGAZINE

# Maclean's



JANUARY 24, 1983

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## Creating a New Economy

Macdonald  
reviews  
the options

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too little,  
too late?

The modern  
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emerge

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**Sad price tag on trade**

In his second week of Free Trade trade promotion, Pierre Trudeau adopted a "see no evil" stance on human rights as he promoted trade in high-level meetings. —Page 18



**A stage in transition**

With its new artistic director, Clarke Rogers, at the helm, Toronto's venerable Theatre Passe Muraille is once again a vital entity with high aspirations. —Page 54

**COVER**

**Creating a new economy**

High tariffs or free markets? High tech or established industry? The options are almost endless as the fledgling Macdonald government gets down to an ailing Canada's economic malaise. But at least, with the emergence of an imaginative new breed of economic strategists, there is no lack of expert and, in many cases, original and stimulating advice. —Page 19

COVER PHOTO BY BRIAN WILSON/MAGNET



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**The Oval Office in disarray**

As the Reagan administration reached mid-term, struggles between right-wing ideologues and pragmatic centrists began to interfere with policy. —Page 26



**A downhill slide**

While western Canadian ski slopes sport good snow and new resorts, eastern hills have seen millions of tourists dollars melt away in the warm winter. —Page 46

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# LETTERS

## On Catholicism

Your comprehensive analysis of the Catholic church in Canada today is most welcome (4 Church Divided, Cover, Jan. 18)—especially the clarification of issues. Most people of my age (60) have been confused ever since Vatican II.

—J.V. LYTON,  
Richmond, B.C.

I for one will not be waiting for Sister Veronica O'Reilly to become a priest. Jesus Christ was a man. The Apostles were men. I like St. Paul's interpretation in Corinthians that women keep quiet in church and not be in charge.

—WILLIAM REVA, Dorval, PQ

Toronto

Your writer parades the tired cast of left-wing bishops and theologians used by the media for the past 20 years. They do not represent Catholic orthodoxy. These "experts" on Catholicism are responsive to a left-wing philosophy that espouses the Marxist option, which is incompatible with Roman Catholic teachings. Moreover, Bishop René De Roo did his association disservice by the use of Roman Catholics. Most stopped listening to them when Trudeau and others legislated the present abortion laws without a whimper.

—ROBERT HERBERT,  
Toronto

## Standing up to antisemitism

Herewith an early vote for the Minto Hospital as 2003 Hospital of the Year, for standing up to the Right to Life Association, which feels that it is its God-given right to impose the views of a



Conservative vs. liberal influences

vocal minority on everyone else. As stated in your article, *The Doctors Defy Association* (Jan. 18), the Jan. 18, 2003, advertisement campaign infamously do not stop circumcised pregnancies, per se they stop abortions. It is sad that hundreds of thousands of dollars are spent by groups trying to involve themselves with an individual's personal life when educational, recreational and other programs for children are facing cuts. If there is a right to life, let it be that people have the undeniable right to the safest medical procedures that they require.

—BONNIE MENON,  
Cambridge, Ont.

## The right to die in French

I have just finished reading *Longuevieux Parity* by David G. Green (Canada, Jan. 21). I am diagnosed with the life of Elzabeth Gosselin is empty that she has nothing better to do with her time than cause grief for those very people who caused for her mother during her last days on this earth? I was not aware that Death was particularly about language.

—LOUISE WELLS,  
Oakville, Ont.

Perhaps now these sophisticated intellectuals, neoclassical humanism and Westernism parvenus who have been hectoring the English autonomy to accept Bill 101 and the primacy of French might finally realize that this infamous piece of legislation is not a passive intellectual exercise but dancing in design and anti-English in intent. The level of the law has been driven home that anyone can be legally summoned before the commission, under threat of penalty, and compelled to defend a charge of language law transgression. Do the laws of Canada also apply in Quebec?

—THOMAS J. PETER,  
Dorval, PQ

# PASSAGES

**DECEASED:** Nikolai Podgorny, 79, former president of the Soviet Union and a member, with Leonid Brezhnev and Alexei Kossygin, of the triumvirate that ruled the country from 1964 until 1977, of what was described as a long firmness, in Moscow. A capable and quiet activist, Podgorny rose in the party ranks to become chief in his native Ukraine before becoming national secretary of the Communist Party under Nikita Khrushchev in 1962. He was ousted by Brezhnev in 1977.

**DECEASED:** Ross A. Hensinger, 53, the Halifax-born president of Ramcor Inc. of Toronto, and four other employees of the oil company's parent plant in Philadelphia, Pa., after their two-engine jetliner executive jet crashed into a field north of Toronto minutes before its scheduled landing. Transport Canada officials are now investigating the airplane's electrical systems, structure and engine.

**DECEASED:** Meyer Lasky, 81, the Russian-born reputed mastermind of organized crime, of cancer, in a Miami hospital. Lasky founded gambling casinos in Cuba and the Bahamas before moving to Miami in the mid-1970s. A statement of his about the underworld, "We are bigger than U.S. Steel," was used by Lee Stralberg in *The Godfather Part II*.

**APPOINTMENT:** Allan Taylor, 50, as president and chief operating officer of the Royal Bank of Canada effective June 1, to replace Jack K. Fiksdal, by the board of directors, in Montreal. Taylor joined what is now the largest chartered bank in Canada in 1946, working his way up from branch manager to manager of the Toronto main branch in 1973. He is currently executive vice-president for international banking.

**CHRONICLE:** Heinrich Knudsen, 37, with forcible entry, in Ottawa, after Margaret Trudeau reported that a man had tried to get into her home. The arranged wife of Prime Minister Pierre Trudeau said that she was expecting two of her sons back from school. But when she opened the door, an intruder managed to get a foot inside before she and a friend shut him out.

**SENTENCED:** Claude Rockes, 51, the engineer who was appointed by then Premier Robert Bourassa to oversee the building of Montreal's 1976 Olympic facilities, to pay a fine of \$30,000 for receiving favors from government contractors between 1971 and 1973 while he was a Quebec deputy minister of transport, by Montreal Superior Judge Raymond Boudre.

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## FOLLOW-UP

# Winnipeg's upbeat note

When shyly growing Kimura Kazuo, the 33-year-old music director-designate of the Winnipeg Symphony Orchestra, arrived in Winnipeg on Nov. 25, he was awarded a triumphant welcome that would have befitted Mozart himself. The festivities included a wreath at the airport by the 16-member Winnipeg Youth Orchestra, official greetings downtown by Lt.-Gov. Pearl McGonigal and Mayor Bill Norrie, the erection of a 20-second traffic light sign on the Westin Hotel and enough fluttering tinsamials to feed Kimura's up for months.

That the city seized the occasion of Kimura's arrival for festivities is not surprising, since the beleaguered city has provided the people of Winnipeg with no other cause for celebration in recent years. In fact, the 61-member orchestra has been leaderless and limping along since Sept. 28, 1980, when conductor Piero Gamba resigned and the orchestra's manager and assistant manager were fired (Winnipeg, Sept. 25, 1980). After two years of bitter feuding, the win was \$800,000 in debt and suffering on the edge of bankruptcy. After rescue efforts failed, the entire 21-member board of directors resigned, making way for an government-appointed trustees.

Following speculation that the orchestra would suspend activities—the move taken last year by the Atlantic Symphony Orchestra in Halifax when it ran into serious financial difficulty—a decision was taken to try to reverse the win's fortunes. Since the arrival of Jack Mills, 58, formerly of the Toronto Symphony, as executive director in Winnipeg two years ago, a patchwork recovery has been under way. Although the orchestra still has an accumulated deficit of \$885,000, more than \$1 million has been raised in public and private donations in the past two years. To supplement the ongoing direct-mail fund-raising campaign, an audacious restaurant fund drive is scheduled to be launched this week as more than 100 volunteers begin calling on 500 businesses in an appeal for money. Says an optimistic director of fund-raising, Leifens Jacobson: "Our goal [for 1982] is \$335,000, and we met that last year."

Artistically, the orchestra has struggled along with a series of patchwork bands while a five-member search committee sought a replacement for Gamba. Eight months later it chose Kazuo from a field of 200 potential musicians, but he does not become full-time music

director and conductor until September (he is guest conducting at the win for the winter season), when he begins a three-season contract, the terms of which specifically forbid him to reveal his salary (it is estimated at \$78,000 a year).

Japanese-born Kazuo, still little known in Canada, was music director of the New Japan Philharmonic in Tokyo from 1975 to 1980. Although his musical background is strong, Kazuo's command of English is shaky. Still, that is not expected to interfere with his ability to communicate musically. He promotes a balance of classical and modern music, including compositions from Ja-



Kimura's leadership and limping

pan and Canada, and says that his introduction aim is to forge a distinctive musical personality for the long-four-decade orchestra.

So far, Kazuo's enthusiasm has captured the interest of Winnipeggers. Overall season ticket sales are already up 30 per cent over last year to 6,500, and some events—the Pops concerts and children's programs—are sold out. But Mills remains guardedly optimistic about the orchestra's future. "There are no quick fixes with the kind of problems we have had," he explains. "But I think you will find excitement growing over the next year or two."

—PETER CARLTON GORDON in Winnipeg, with Jane Mangan in Toronto.



Barzel (left): Vogel smiled in wanting to keep the 'slave trade' secret

## Freedom with a price tag

It is either called a cynical transaction or a humanitarian service. Few, however, would protest that the practice of exchanging prisoners in East German jails for West German money is pretty. The trade has existed for almost 20 years, and as a result, an estimated 17,000 people are free and East Germany's coffers are richer by some \$400 million. But the trade in human beings arouses such distrust in West Germany that government aides hesitated to talk about the trade publicly only after they leave office. The East keeps quiet out of embarrassment. The two Germanys, fiercely opposed on most issues, readily co-operate in keeping the "slave trade" secret. One man who knows all is Helmut Barzel, the West German official who, in his distress, engineered the first exchanges when he was federal minister for intra-German affairs in the government of Konrad Adenauer in 1962. Now, Barzel has returned to the business of buying prisoners out of East Germany.

Barzel, once again head of the intra-German affairs portfolio, under Chancellor Helmut Kohl, took office in Bonn last October. But now 58, does not find the secret exchanges with East Germany any more savory than he did two decades ago. Writing about the initial phase of the practice in his memoirs, published in the early 1970s, Barzel declared: "The price for the prisoners was determined on an individual basis. Degrading. It was based according to the prisoners' human and political weight."

The secret trade has grown dramatically since Barzel's day, when only a handful of prisoners was involved. The first trades came in 1963, when East German lawyer Wolfgang Vogel, who had earlier helped to arrange a swap of Soviet spy Rudolf Abel and American

U-2 pilot Francis Gary Powers in 1962, approached Bonn with an offer to release 39 prisoners in East Germany jails. None, as many as 1,000 people each year—mostly East German dissidents but also alleged spies and Westerners jailed for trying to smuggle goods across the Berlin Wall—are released and shipped to the West in return for payment. When, as occasion, the West Germans have balked at the steep price, payment has been made in merchandise—translators of languages, oranges and coffee.

The biggest single group to be sprung by Bonn in recent months consisted of 83 political prisoners—39 men and 14 women—who crossed the border into West Germany last August. According to the Frankfurt office of the International Society for Human Rights, a body that monitors the trade, the August release brought the number of people ransomed off in the past year to 890.

Vogel, 57, still handles the East German side of negotiations in the multimillion-dollar trade. A flamboyant figure who enjoys the deep trust

of his superiors—he lives in a spacious home in East Berlin and holds a permanent exit visa that permits him to travel in the West whenever he pleases—Vogel also dabbles, as occasion, in arranging straight spy swaps in which money does not change hands. Vogel, for example, pulled most of the strings when East German spy Gunter Guillaume was traded in a clandestine October, 1981, deal involving a number of ge-

ographers and a down or no lesser spies. In fact, seven years ago Vogel was awarded East Germany's Order of Merit for service to his country. His services included securing the highest possible price out of Bonn for hostages. According to the society for human rights, the current rate for prisoners is \$12,000 for a worker, \$15,000 for a teacher and \$80,000 to \$200,000 for a highly qualified doctor or scientist. But the price tag also varies with the offense—among the most heinous is attempted escape from East Germany—and length of sentence.

The human transactions stopped in 1970, when the East German government, stung by Western media attacks on the practice, suddenly broke off contact with Bonn. But East Germany's need for hard currency soon overcame its scruples, and the trade quietly resumed in mid-1968. The change saved Bonn. It has always been West Germany's contention that the trade, however cynical or immoral, served humanitarian interests. The practice also accords with Bonn's overall view that the more links it establishes with East Germany, official or otherwise, the more it can persuade the East to take a softer stand, generally on human rights. Vogel himself has fully rejected ethical objections to the buy-out scheme. "Who is morally better?" he once asked in an interview. "He who buys or he who sells?"

Although Kohl's new conservative government in Bonn may be less keen than its predecessors in pursuing dialogue with Eastern Europe, it is unlikely that it will want to stop the trade in humans. An Rüdiger Baron, a prominent East German dissident, was given green amnesty in 1979 and permitted to move to the West—recently pointed out, the traffic at least offers appointments of the East German regime a ticket to freedom. "Close it, and you slam the door on their last hope."

—PETER LEWIS in Bonn

Powers (left), Guillaume: Highest price for the hostages



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## COLUMN

### Lead us or leave, prime minister



By Dian Cohen

**D**ear Prime Minister: Canada has long needed a leader with the tact, skill, compassion and diplomacy essential to sell what has been for so long the latter medicine of inflation and recession. Instead, we have had a leader who has oscillated over confidence, is arrogant and patronizingly condescending. Almost since the April day in 1980 when you took office, your biggest mistake has been to equate toughness with leadership. This despotic attitude was, once again, illustrated just recently when a group of Roman Catholic bishops denied the immorality of so much unemployment in a country as rich as ours. They pleaded for your government to give a higher priority to a taxman that results in so much hardship. You responded, sir, by trying to defrock the priests. The bishops are not necessarily better economists than other economists, you said.

Sir, you misjudge the concerns of Canadians. Your government's response to economic events of the past few months leave such a feeling of déjà vu that one is hard-pressed to see new ways out of the morass. Your dismissal of the bishops' concerns simply across your past responses to other pressing issues. Your policies create such feelings of anxiety, hostility and even hysteria that the basic problem gets lost in the polarisation of opinion and the defence of parties.

**Now:** In 1983, when unemployment was hovering at about 4.5 per cent, you launched your first anti-inflation drive, suggesting that you were prepared to accept an as yet unheard-of six-per-cent unemployment rate as the price of stability.

**Now:** When, in 1982, with an unemployment rate of 4.5 per cent, such respected groups as the Conference Board of Canada and the C.D. Howe Research Institute criticised your economic policies, you responded by saying that all those who did not wholeheartedly endorse the policies of your government were "reactionary non-members" who "belonged at all the little things that go wrong in the system."

**Now:** When people in your land that was to be exemplified for the proposed Pickering airport east of Toronto expressed concern about their fate and skill to you, "You're stealing our land," you casually replied, "Why don't you call a politician?"

**Now:** Since your arrival in office, Canada has experienced three recessions—in 1970-71, 1975 and 1982. Between the recessions the economy has, for the most part, operated disappointingly below its potential. Not once have you responded with compassion to the deeply felt concern of people fearing for their livelihood. In 1971 in Victoria, B.C., you suggested that the unemployed are in the "front ranks of a new leisure class." In 1970 you said to *The Montreal Post* that some people are "going to get their assa kicked," in 1982, to the people in Balmain, B.C., you made rare gestures with your fingers.

Actions and statements such as these, Prime Minister ("Where's Bangladesh?"), "Money is in short supply," "Well, why should I tell the Canadian farmers' sheep?", do not, about co-operation or inspire a desire to pull together to solve the economic problems troubling us all.

What this country really needs, first

**'The nearly two million Canadians who are unemployed cannot wait for deliberations of royal commissioners'**

and foremost, Prime Minister, is a clear-cut statement committing you and your government to full employment. A parliamentary white paper on employment and income to that effect was written and tabled by David Lloyd. War Canada also signed the United Nations Charter in which articles 50 and 56 embody what has been called "the full employment pledge."

Yet, sir, Canada did not experience full employment once during the 1970s. In fact, during your entire 16-year tenure, only once—in 1968—could Canada lay claim to being even within halting distance of full employment. You may remember, sir, that it was in this same year that, with inflation at 4.3 per cent, you launched your first anti-inflation crusade.

There has been a tendency, Prime Minister, for you to dismiss the ideal of full employment, historically defined as less than four per cent out of work. But your government has suggested, at times, that generous unemployment insurance benefits mean that more people do not have to look for a job, that the hardships of unemployment are less

anxious than they once were. At other times you have suggested that Canadians don't really want to work, that the "real" unemployed are, basically, married men between the ages of 25 and 45.

There is, however, a very solid reason, sir, for a wholehearted commitment to the concept of full employment: unless there is a job available for every person who wants one, it will forever be impossible to solve our country's other problems.

Neither economic growth nor the elimination of poverty nor the equitable distribution of our economic resources are achievable without full employment. Redefining the full employment rate at seven or eight per cent will simply not do. Neither will shuffling, making someone finger pointers or handing the problem over to the private sector. It is interesting, sir, that you, who apparently hate "handouts," find it easier to set up welfare programs to give people money than to set up work programs to give people jobs.

In addition to a commitment to full employment, it is essential that we have other clear-cut and specific statements from you. Where do you want the economy to be one, two and five years from now? How does your government plan to achieve these goals? What do you expect of the public? The answers to some of these questions would go a long way toward relieving the great uncertainty that has been one of the most frightening aspects of Canadian life since your government took office.

The problems today, sir, are growing. The nearly two million Canadians who are unemployed cannot wait for the results of deliberations of philosophers or royal commissioners. They require urgent action. You, Prime Minister, were elected to lead this country, which is currently sinking to the depths, not because we do not have the tools to get back on an even keel but because the goals have not been in sharp focus, and the leadership has been less than adequate.

If you cannot immediately provide us with a specific program, I would suggest, Prime Minister, that a first step toward giving this country back to its economic base would be your immediate departure. If you cannot lead us, leave us.

Sincerely,  
Dian Cohen

Dian Cohen is a Montreal-based economic writer.



Trudeau with His Majesty the Yang di-Pertuan Agong of Malaysia, Philippine President Marcos and wife, Manila, Jan 30 and

## CANADA

# The price of salesmanship

By Mary Janigan

I was a journeyman in the age-old problem of man's inhumanity to man. As Pierre Trudeau struggled through the second hectic week in his 18-day tour of seven Far East nations, the list of his destinations became a geographical history of Amnesty International's offences in each nation—Malaysia, Indonesia, Brunei and the Philippines—the violence of basic human rights have been blatant and common in each nation the prime minister handled the moral dilemma by largely ignoring it. Trudeau clearly did not want to risk the diplomatic heat during his successful bid to raise Canada's trade prospects with the Far East. But his evident distaste for the whole issue left the impression that Canada had abandoned its traditional moral posture—in exchange for more sales.

The prime minister flatly stated his "no-one's evil" attitude in Singapore when he was asked about Malaysia's draconian internal security act, which allows the government to jail critics without charge or trial as the basis of a detention order from the home affairs minister. Trudeau first explained that Malaysia is plagued by Communist insurgents. "It is not only a right but a duty

of governments to stamp out insurrection." The next day Malaysian newspapers confirmed the statement as an endorsement of the repressive laws. But Trudeau: "I don't visit other countries with an intention of telling them how they should run their own affairs. I often ask occasions for telling leaders of countries that relations with Canada would be better and their reputations in the democratic world would be improved if they did such and so—but I'm not going there with the purpose of trying to right any wrongs."

Later, Canadian officials extended the point at a turbulent press briefing in the Philippines by dismissing human rights questions as "naïve" and "Able to Wagonland." The advisers limited that published plea to repressive governments would only damage Canada's trade prospects—and do nothing for the unfortunate prisoners. "Quite a long time ago we decided that if we started applying the individual criteria of Canadian good behavior to all our trading partners, we'd not make it as trading with anyone," admitted one senior official. He added that Trudeau was not going to "humanize unemployment in Bahrury to free a man in the Philippines."

Trudeau, in his role as spokesman for his business, applied the same logic to Malaysia. Three weeks ago the Malaysian government received a 360-page report prepared by a committee of seven human rights lawyers from the United States, Britain, France and Japan. The document declared that political detainees have been tortured, held incommunicado for 60 days or more, and subjected to brainwashing. Trudeau ignored about the internal security act but he did not press the point. And he appeared unaware of the racial prejudice rampant in Malaysian law. One statistic, which reserves almost 80 per cent of the places in Malaysian universities for Malays, forces Chinese Malaysians to go abroad for schooling. As a result, there are 500 Malays on scholarships in Canada and 5,000 Chinese Malaysians standing here who receive no government help. Canadian taxpayers are thus subsidizing discrimination. Trudeau ducked those thorny issues—even when the Malaysian complained about Canada's rising tariffs fees.

The prime minister's visit was, however, a boon to the Canadian business community, which is competing for everything from a new mall complex to light-rail contracts. Entrepreneurs

briefed Trudeau on their products and problems. They rode on his controls into meetings with high officials and were satisfied when he promoted Canada's expertise in such fields as transportation and forestry.

The pattern of ignoring brutalities for improving trade prospects was the theme in every Trudeau stop. In Indonesia, which received \$200 million from Canada last year, the prime minister tactfully overlooked the Suharto regime's continued repression and the apparent genocide in East Timor—as an island that Jakarta annexed in 1975. In January, 1984, Indonesia adopted a constitutional policy, forcing companies to take back the value of their business contracts in produce from a list of 33 local commodities such as palm oil. Although the Canadian International Development Agency and the Export Development Corp. have put together \$200 million packages to finance a key oil transportation project, Canadian firms subject to the law are refusing to sign contracts. "We're not trading companies with manufacturers," grumbled Roger Hiebert, the executive director of the strikers' Sydney Steel Corp., which badly needs its \$25-million contract to produce steel rails. Although Trudeau threatened to withdraw the financing package if Canada did not get an exemption, the Indonesian have so far refused to budge in their insistence on barrier.

In exotic, oil-rich Brunei, a British protectorate that is due to resume independence in January, 1984, the policy of nation rules in Brunei was played with absolute authority. Doubled by the violence of their guests, the Bruneians as obligatory Trudeau was as charming as his hosts—and he sought for a share of the massive oil-profit revenues. Most foreign revenues last year were \$5 billion.

As for the Philippines, Amnesty International's charges against the brutal regime of President Ferdinand Marcos ran in 1977 pages in a report published last September. Amnesty checked 36 murders, 33 cases of torture that resulted in at least one death, "disappearances" and extrajudicial executions. The government, according to Amnesty, snafled on trade ministers and religious workers for special treatment. Fearing government reprisals, even *Telegraph* reporters for the Manila firm of Reuters Television originally refused to send journalists' stories—citing this report—because they were "not good to the government." The workers finally relented when Canadian Embassy officials forcefully intervened. Disturbed to this favor, Trudeau made a high pitch to the Asian Development Bank for more procurement contracts. Only 2.4 per cent of the direct procure-

ment deals go to Canada—although it contributes 6.3 per cent of the bank's total capital.

Trudeau's avoidance of human rights problems clearly is marked contrast to his formidable success for the North-South dialogue. In each nation the prime minister assured his hosts that Canada is committed to an overhaul of the international economic order. Each country responded with lavish praise and high honors. Compared to the warmth of Trudeau's reception, critics and critics at home complained that he was simply on holiday. In Indonesia he not only rejected the newspapers. "If I were in Canada now, I would probably just be ending a week's skiing, which everybody else is doing if they're not somewhere in the Caribbean." The cut dismissal of the 18.9 per cent unemployment in Canada, and the supposed abroad—may leave Canadians wondering about the hidden human price tag for Canada's corporate contracts. □

Trudeau and Sachs at Thai temple



## Solace for Clark but little true joy

Sleeping neither a tan nor the lack of a truly roiled man, Joe Clark returned from his Christmas vacation in the Bahamas last week to face the time he spends in his leadership role in Winnipeg late this month. He was greeted with both tidings of comfort, in the form of a headline-making poll suggesting that three-quarters of the party would be behind him in Winnipeg, and tidings of grief, in the form of a massive split between would-be delegates Peter Worthington and Tony Offord. The former *Toronto Star* editor was released delegate status as he proclaims that he was "deserted" not to be a supporter of the Progressive Conservative party. He bitterly denounced Clark and launched a self against Clark and the party associates. As the polls and politicking reached fever pitch, the only unexpected reality was that the federal Tories have an unbroken streak for making trouble for themselves.

The poll, a \$4,000 effort conducted by Carleton University's School of Journalism on behalf of Southern News, surveyed 502 of the 5,000 potential delegates and indicated that 75.7 per cent of the delegates opposed a leadership contest. The Carleton poll has a short but impressive track record. Before the 1981 PC convention, the results of a similar poll conducted for Mulcair's new within division party, the actual results—60 per cent ratification of Clark's leadership. But this year's results provided merely and shoptown. Only Clark's most optimistic supporters are calling for a 75-per cent show-up. His critics predict a 50-per cent endorsement. "I just can't see the figures being so out of line with people's perceptions," said one Tory official. The party's in-house pollster, Allan Gregg, added the survey a "dangerous" result, questioning both the reliability of the sample and the assumption that public-opinion polling techniques can be used to predict the results of a "party" vote at a political convention. "It wouldn't do one of those," said the president of Demos Research.

The Worthington factor added the poll results. "I think under Joe Clark that party is going to be dead for another generation," Worthington said bluntly in a television interview. He then added that he would join the Liberals if they asked him. "I don't know," he said. "I don't know." Worthington's leader "Show's that for loyalty!" asked an exasperated Clark supporter. "With friends like that..." He did not need to finish the cliché.

—CAROL GRAY in Ottawa

There is nothing Ottawa likes better than a good spy story. The cheater tends to be single ("our" side versus "their" side), the details are awful and the results terrible—as in: treason to the security of the Western World. A perfect example of the genre crystallized in a single sentence is the story of the Soviet spy, a secret rendezvous in the Gatineau Hills, messages left in hollowed-out sticks, and a classic bit of bungling and petty law-breaking on the part of the rich's bedeviled security services.

Framing as the story is, it may be different for the opposition to generate much political heat from such old canard. For one thing, stories of Moonie wisdoms have become almost a cliché. For another, the story is, in addition, the latest extended episode

Fermenting as the story is, it may be difficult for the opposition to generate much political heat from such old compost. For one thing, stories of Mountie misadventures have become almost commonplace in Ottawa in recent years. In addition, the latest reported scandal



vat crimes to spy for Canada. When Prime Minister Pierre Trudeau refused to back down, the Soviets made good their threat. Unfortunately for them, they planted their damaging information in a Soviet publication and released the details, in English, through their embassy. The story was considered more sensational.

It now appears that the Soviet story was true. In their zeal to provide a false identity for their potential mole—allegedly one Anatoly Maslov, a middle-level Soviet trade representative—the

Mounts forged documents and faked passports. But their greatest infamy was meeting with the wary Maximo in Basel, Switzerland, and New York shortly after Trudeau had publicly vowed that the force was engaged in no such clandestine operations outside

more money from the Maestros and providing consistently useful information. When some Canadian agents asked how quickly Maximov was able to memorize license plates and complicated instructions, they began to suspect him of being a well-trained KGB double agent. In any event, Maximov disappeared in 1977, taking with him a list of 16 questions the RCMP wanted answered concerning the locations of defense plants in the USSR and, of course, the activities of Soviet spies in Canada.

No one is quite sure what happened to Maximov. However, if he was a genuine defector and not a double agent, he may have been betrayed by the Mounties' own blunder. According to Macdonald's story, in 1977, 30 years after the Mounties first approached Maximov, the Soviets approached a Montreal RCMP agent, Cpl. James Wood. Wood was friendly with the "dirty trucks" and re-

responsible for the infamous Moscow barn-burnings and breakdown of the early 1950s. Because of the "polarity" of the activities performed, Wood was out of favor with the brass. The Soviets also knew he had financial and health problems—he looked like a patient recruit for the CIA. However, when he approached him, Wood went right to his superiors, who told him to co-operate with the Soviets in an attempt to penetrate Moscow's economy. There ensued a series of clandestine meetings in the Guggenheim and secret meetings posted at Chinese shopping plazas, including Tsimshanskaya. "I was the only person there," says Wood. At one point, to ingratiate himself, Wood told his Soviet contacts about an abortive attempt to assassinate Mao on a train in 1954. "I was the only person there," says Wood.

did not realize—and what some apparently told him—was that the Maxims were still working with Maxine. Neil Macdonald says Wood's unwitting blunder may have cost Maxine his life—unless, of course, the former male is now living on a comfortable \$12.5 million in a Moscow suburb.

For Macdonald—who spent six weeks piecing together his business story—the only substantial outcome may be renewed calls for the long-promised tough official secrets act: “A new act may stop former security service people from talking to reporters—and I’m sure the government would like that,” he says. As his own story shows, the government may not be worried so much about a security risk as about the risk of embarrassment. —STEVE BLEYER in Toronto



*Brooks (www.brooks-usa.com)*



at the somewhat hostile response

employee, it will cost it about \$4.3 billion in 1995, not four times any such regression because it has randomly to the rich. For affluent taxpayers, the new tax bracket a \$180 share \$60 off the top of the 25-percent bracket. It is supposed to reach only worth nothing at all to poor to pay any income when the maximum of \$3,118, it was worth nothing with two children who then \$3,600 a year but saving of about \$600 to \$30,000 bracket, 2000 bracket and \$3,565 to more than \$10,000.

Erkio also argues that works against the interests of wives and consequently men who need two incomes to meet. The maximum one 1993 tax pair is set at \$2 spouse (usually the wife) than that, the taxpayer the exemption. Erkio is

aggravating when she saw a program that "It's only about families in our society."

per cent of wives who live with a husband and have children to 15 are in the (divorced, widowed, separated) women, the rate per cent.) Furthermore, the survey shows that there are fewer claimants for the lower tax brackets in the higher ranges, where a choice to stay home

What really rankled critics, however, was the she was placing more value on women's

...with or without a...  
...the treasury cou...  
...the exemption shou...  
...child care. Among th...  
...are higher family allow...  
...child tax credits, larger r...  
...for children, or unsubs...  
...day-care costs. Bush's ar...  
...are dependents. The...  
...view. "Women are not dep...  
...income earners."

As a lone political opponent of the apertural emergency, the faroucal though Kato would like a military task force out of use. But the upsurge in news provided has revealed Canadians are about the of news—as partners in dependence.

—JERRY HAY with *Nickel & Dimed*

**Soviet Embassy in Ottawa: The implausible now appears to be true**

occurred five years ago, and most of the culprits have since been quietly repressed or sidelined. Nonetheless, the details—uncovered by Ottawa Citizen investigative reporter Neil Macdonald—shed a revealing light on an espionage underworld where spies seem to spend most of their time spying on other spies.

The story almost got out in 1978 when the Soviet Union tried to blackmail Ottawa to stop the government from expelling 33 Soviet diplomats accused of spying. If Canada went ahead with all of the expulsions instead of keeping the number to five, the Soviets warned, the prime minister's wife Ivan Boed, the U.S. S.R. would reveal embarrassing details about more efforts to assassinate a Soviet leader.

Cassidy later wrote, however, the prime minister confirmed the Soviet story after three of his top advisers—Boris Yeltsin, the PM's former foreign affairs adviser, and two other advisers—had been removed. Foreign Affairs Undersecretary Alan Gashin and Michael Finfield, clerk of the Privy Council—spent two days going over RCMP officials for decades. The men involved were reprimanded and, by most accounts, their careers were finished. Last week Trudeau and his high-powered associates seemed to be struck by partial amnesia about the case. The return of Ben Elsat last, however, Trudeau implied that this sort of thing goes on all the time.

During the 10 years of contact, Maxxam—described by Macdonald as a “cranky little man”—kept demanding

one apparently told him—was that the Mensheviks were still working with Maximov. Neil Macdonald says Wood's unwitting blunder may have cost Maximov his life—unless, of course, the former made it *enough* living as a comfortable KGB pensioner in a Moscow suburb.

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Although Erskine classifies "Fuchtel" as the instance that

that her suggestion provoked the reaction was during a chaotic case of dengue fever for the right reason," wrote Star. It was right women, the Star said, who "ill-considered scheme [was] blatantly offending justifiably." The Toronto Globe editorial judgment ran on the same line. Liberalism, it said, was established by angry calls

against families  
need two incomes  
make ends meet

ed over the issue surprised not an especially fresh Commission on the State headed by Senator Flinn. He wanted the case for special exemption back on the list since he had written Bard was an Italian when the measure was drafted. "I'm somewhat defensively," he put forward an idea that "the law should be around for some time."

The draft continues

ing is that it is not. The Royal

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It might have been raised as a trial balloon, but it was more than that. "It was a test," it turned out, as the briefing ends. The minister suggested for the status of women, Judy Tzeng, simply suggested that the tax exemption for child-care expenses be extended to those who are employed full-time in favor of more government and for child-care expenses. But to Liberal vice, editorial writers and many others, the minister's suggestion was not only badly made a very serious face

**I**t might have been meant as a trial balloon, but for more and shock value it sounded more like a bursting one. The minister responsible for the status of women, Judy Erskine, simply suggested that the tax exemption for dependent spouses be scrapped in favour of more government and for child-care expenses. But to liberalists, editorial writers and many others across the country, it seemed that Erskine had suddenly made a very serious faux

their Christmas vacations and passed on the messages to Krohn's harried officials. "I saw my parliamentary career go out the window in 1979," one worried MP told Maclean's, "and over Christmas I could see it happening again. We can't go all over the place making this kind of statement." After all, the Liberals are still gun-shy from the wreck they suffered with their incoherent closing budget of November, 1981, and few have the stomach for another tax fight now.

*Erola argues that the exemption works against families who need two incomes to make ends meet*

id over the issue surprising is that it is not an especially fresh idea. The Royal Commission on the Status of Women, headed by Senator Florence Bird, advanced the case for abolishing the special exemption back in 1959, and the nation has since been revised several times. Bird was on hand to support Kohn when the minister told reporters somewhat defensively, "I'm not bringing forward an idea that has not been around for some time."

—JOHN HAY with Mark Riser in Ottawa



## The bureaucracy of jobs

**T**he numbers abound. As the nation aims under an official unemployment rate of 15.9 per cent, the federal government has fought back with a creative barrage of job creation statistics. One fairly-tale forecast predicted as many as 460,000 new jobs within the decade 1981, despite the very estimation, only 3,005 short-term jobs have opened up across the country in the past three months. So far, job creation programs have been mixed in red tape, delays have been blamed on Christmas slow-downs, and interprovincial squabbles have erupted, provoking one Ontario official to snarl, "For all I know, Quebec is offering underwater basket-weighing." Announcements of portfolio programs have looked out with painful slowness in British Columbia they include a midway enhancement program, and in Ontario a scheme to upgrade Hamilton tourist facilities. Upgrades hired for 36 weeks to clear industrial lands in Peterborough, and there on the job for 10 weeks compiling a statistical profile of the town of Perth. In many respects the program has been a statistical sleight of hand.

The numbers games began last October when Finance Minister Marc Lalonde's new budget promised \$1.1 billion in job creation plans to ease the jobless crisis. Included in the package was a \$600-million New Employment Expansion and Development (NEED) program to create 60,000 jobs within the next 18 months and a \$200-million real improvement plan with the staggering law of an eventual 400,000 jobs. Since then it simply has lived up to Kingdon's motto: *Minors Lay Awerthly* to it in the statistical battle. His latest press

to federal endeavors last week's announcement that 385 people in Ontario—out of an unemployment pool of more than 580,000—would be back to work over the next few weeks, at least temporarily.

Professably, the paucity of newly created jobs over the \$500-million federal-provincial 1980 program in Ontario has been harshly criticized, as has Ontario Labor Minister Russell. Rumors of the expectation of 30,000 new jobs within 18 months. With a quarter of Canada's 1,154,000 unemployed in Ontario, Awerthly has managed to do little more than try to plug the hole. Canadian Manufacturers Association economist Paul Kavanagh, who watched 12,000 jobs in his sector wiped out in Ontario last year, says the 3850 program is "a big pain." But he does not fault Awerthly for trying.

More critical, however, is Ron MacDonald, president of the United Steelworkers local in Sudbury. In his region local L.I.U. is still shut down, the unemployment rate hovers around 30 per cent, and 8,000 members of Local 6200 are hanging by their fingertips only, whatever security they have left. Still, only \$1.1 million in need funds is earmarked for the district, and so specific programs are under way. The plan is available only to "enthusiasts," he says, used to describe an average 62,000 Canadians who will encounter unemployment insurance benefits every month in



Awerthly: finger in the alk, may calculations

the first quarter of 1983. Most of the laid-off metal miners and refinery workers do not qualify. MacDonald laments the program "intentionally limited."

There is a similar reluctance in Alberta to accept Awerthly's insistence that job creation programs should be limited to enthusiasts. Alberta Minister Ernie Eby refused last week to sign a joint 1983 agreement with Ontario. Instead, he preferred to

initial a tentative \$20.5-million program to create 2,700 jobs and leave the details to be hammered out later. So far, Saskatchewan and Quebec, as well as Ontario, have joined the money program. Other provinces are still bargaining with federal officials. For his part, Awerthly prides his project, arguing, "For a lot of people what's more important (than statistics) is what they see happening in their own community." He told journalists over a luncheon yesterday that work that "newspaper headlines don't matter as much as 15 jobs getting work on a new wharf on a Newfoundland ship. The word I got from across is to keep developing these small projects."

New Democratic Party finance critic Nelson Rink, who calls 1980 "at best cosmetic," finds little evidence of its value in his B.C. riding of Kamloops-

Shuswap. He spent last week touring the depressed forestry, mining and tourism industries. He visited schools where students complained that it was "hopeless" to search for work because local unemployment has already increased 27 per cent. There are only four federal NEED projects in British Columbia, none in Kamloops-Shuswap.

Some observers of Ottawa's methods are bewildered by statistical aspects of the program. McGill University economics professor John Wilkin questions Lalonde's decision simply to re-shuffle \$1.1 billion from other spending areas into job creation, regardless of the impact. An estimated \$250 million comes from deferrals, \$245 million from foreign aid, and \$600 million from energy programs. "You really have to take federal job projections with a grain of salt," Wilkin points out. "When you analyze what was lost, I would be rather surprised if the actual number of new jobs created is larger than 1,000." The idea of realigning existing funds, according to Wilkin, is an old chestnut, "part of an ancient idea that has been floating around for years and re-emerged for the economy."

A further 400,000 jobs have been promised in the real improvement plan. But Transport Minister Jean-Luc Pepin has been uncharacteristically silent on the issue, and a ministry official insists that Lalonde really meant 400,000 person-years, not 400,000 jobs as he told the House of Commons. (One person-year means one person working for a year or four people working for three months.)

Stingy Ingersoll, another McGill economics professor, agrees. "The net result of realigning existing funds is small or even zero. It's all playing with numbers." Last week he released the first in-depth study of the decade-long real improvement program for the Canadian Centre for Policy Alternatives, an Ottawa-based organization with strong labor ties. Ingersoll argues that, because of past policy errors and now by expediting retirement, Ottawa is contributing to lengthening the recession, and he advocates for long-run benefits a structural overhaul.

The week Awerthly hosts an occupational conference in St. John, at which he hopes to "move beyond charts and numbers to ideas and judgments about employment and productive trends." The plan is to bring medium- and long-term labor market needs into focus. If Awerthly is successful, perhaps the federal government will consider something more substantial than a set of increasingly vulnerable job projections.

—LISA DOWD, with Carol Goss in Ottawa, Cindy Barnett in Toronto and Peter Goss in Edmonton.

## QUEBEC

## A hero takes on the generals

**I**n the crowded Montreal courtroom last week, the grand former army officers contended for a better public setting of accounts. At issue were statements made at the height of the Quebec referendum by two pro-federalist generals about one of French Canada's greatest Second World War heroes, retired Brig. Delord Ménégoz, who supported the Parti Québécois. In the process there was a rare glimpse of personality clashes in the military. The star witness for the plaintiff, Ménégoz, was Premier Jean Lesage, who told the court: "They ridiculed their com-

rades. He had appealed for compassion, he said, for a man whom he thought had devoted himself dutifully to his country. At one point during his week's court hearings on the alleged slander, Delord Ménégoz, his finger at Ménégoz and said, "I've got nothing against you, but the real heroes (of Dieppe) are buried there." When Ménégoz testified for the first time last Friday, he requested his role in the Dieppe raid, Delord Ménégoz, having been a widow, as Allied and Debraux had alleged, saying that he had taken strictly leave.

During his hours of the December 1942 Dieppe landing, Ménégoz, then commander of the Pacific Fleet Mont-Royal, reportedly led his men to the attack in spite of his five wounds. He subsequently received the Distinguished Service Order, and his likeness and exploits adorned numerous posters whenever French was spoken in Canada. According to Lesage, who was a war correspondent from 1943 to 1945, "Ménégoz personified Dieppe."

Thirty-eight years later, at the height of the referendum debate, Ménégoz claimed that a separate Quebec would mount its own defense in time of war and announced that he would vote "oui." Two weeks later, on May 8, the "oui" forces presented their military brass at a news conference. The court was told that the Dieppe landing was controversial remarks, some officials burst into laughter, and journalists interpreted the reference to war wounds as a slight on Ménégoz's military feats. But Debraux insisted that he was told that the Dieppe landing was a heroic feat because of Ménégoz's practice of wearing five bars for wounds—which Debraux viewed as an affectation for injuries received during the same engagement. Debraux fully denied in court that he had Ménégoz in any conflict, reputation among his colleagues. Instead, Debraux implied that Ménégoz benefited from army solidarity. "Delord knows how we protected him,"



Ménégoz: a terrible thing to hear

made-in-Quebec. The laughter was a terrible thing to hear." Let the former chief of defense staff, Gen. Jacques Debraux, 63, who, along with Gen. Jean-Victor Allard, 49, is being sued for \$400,000 for alleged defamation of Ménégoz's character, request the charge be dropped. Debraux insisted that when he told the press in 1980 not to take Ménégoz's admission to the superior forces too seriously—commenting that "Delord was wounded five times you know"—he was performing "an act of mercy" not of

Ménégoz, Ménégoz's lawyer, Guy Debraux, formed Debraux to defend a Christmas, 1984, incident in which a German prisoner of war was given a few nothings, adorned with a "Merry Christmas" sign, and sent as a present to Debraux's commanding officer. Based on whether he considered the action a violation of the Geneva convention or the treatment of war prisoners, Debraux replied, "It was a bloody good joke"—on a pair, perhaps, with the 1983 spectacle of the Battle of the Grenville. —ANNE BRIDGES in Montreal.

Unemployed in Ottawa: numbers abound as the nation says under this alk





# Creating a new economy

By Ian Brown and Robert Collins

**D**onald Macdonald, six feet, five inches north of Toronto, lawyer, towered above the academics gathered around him. The former federal fi-

gers see of its rare but vital transformations, from a free market economy to a more centrally planned one. In the minutes, as Noranda Mines Ltd. Chairman Alf Powis observed, "We can't solve the problem. We can only survive it." Karl Marx

sufficient again in boom times. But his theory was never fully tested. The boom never resulted in complete elimination of the deficits, while everyone's expectations of government support remained intact. Four decades passed before Nobel Prize winner Milton Friedman exposed "monetarism" as a means to control inflation. Monetarist policies pursued by such leaders as Margaret Thatcher, Ronald Reagan and Bank of Canada Governor Gerald Bouey controlled spending habits by managing interest rates—but, so well, in fact, that the ensuing high rates forced industry into a massive liquidity crisis. Sweeping across North America and Europe, the such crisis revealed the industrial sector as the unbearably creature it has become.

**Guns.** The world's desperate search for new economic answers, meanwhile, has produced a fascinating new breed of policy guru. They are known as the "institutional economists"—named for the heady positions they hold in some of the world's major think tanks. As much as for their wisdom, they are becoming known for their eclectic, unorthodox ideas, unbridled ambition, a rule book for grabbing headlines, and their remarkably direct access to the most exalted corridors of political power. With a few exceptions, they are also surprisingly young—80th-century intellectuals, pragmatists who understand that the only good idea is the one in the ear of a powerful politician. Their opinions and ideas will fill the intellectual vacuum in Ottawa as the federal government tries to come to terms with the desperate structural problems of the Canadian economy: a declining share of intertidal trade in a world beset with protectionism,

combined with the worst strike and productivity records in the industrialized world. Meanwhile, the obvious short-term solution—the development of competitive, high-technology industries—suffers from the inevitable fact that it will, in turn, cost more jobs. The new solution of the new breed of post-industrial strategists range from closer interaction between governments and



Macdonald's quest for the solution as it was known

nessman was appearing at the University of Toronto last week in his first speech as chairman of the new royal commission on the economy. He opened with a tribute to law student Katherine Baker, killed two years ago in an auto crash, in whose memory the lecture was sponsored. Then he delivered the message the audience was waiting for: "Important considerations," he intoned solemnly, shifting his weight from one foot to the other, "are taking place in the very favorable circumstances which, for the past 35 years, have enabled Canada to enjoy an unparalleled period of economic growth." The event was a memorial to a former student. It was also a message for the economy as Canadians have known it.

In belated recognition of its passing, a drastic search for new economic life is suddenly under way. Finance Minister Sherry Fischer has appointed his own think-tank committee of economic advisers, but they are caught between wanting to spend the economy back to health and the bad, black part of an existing \$25-billion deficit. But a new mosaic of institutional economists who do have answers in finally emerging, and their theories and findings—however contradictory—will likely provide Macdonald with the only feasible solutions available as Canada passes through its worst recession since the 1930s. Answers are what Macdonald was appointed to find.

"There is a sense of intellectual calamity in the economy in the 1980s," Macdonald said in an interview last week. "And I think it's general to the world, and not just to Canada. One has the impression, talking to the economists, that they're back in the 1930s waiting for the answer. The theory of economics is apparent." Until it does, Canadians can look forward to unprecedented turbulence as capitalism under-

might have existed knowingly. The world as John Maynard Keynes knew it has passed. In *The General Theory of Employment, Interest and Money*, the famed British economist showed governments of the 1930s how to spend their way out of a depression. The missing deficit, the plan went, would then be slashed as public spending was cut back when the private sector became self-



High tech on the job (above): the doom of steel industry; Toronto's vulnerability



industry to dangerous economic institutions, from high-technology alternatives to funds mental restructuring on just what economic life is all about.

In at the heart of the modern thinking is one of the most respected of the new breed, and in a sense the father of them all, Robert H. Hall, Jr., 50, an economics professor at the New School for Social Research in New York. For a generation he has synthesized the sophisticated liberal economist's And, in Hall's view, 1982 is comparable to 1932, when the world was starting to climb out of the Great Depression. "People fail to realize that it took 30 years to put in place the mixed economy and the welfare state which were the institutional response to the Depression of the 1930s," he declares.

Changing views, Haller says, means that they should be prepared to brave the restructuring of the economy that will be necessary to compete in the new world economic order of job-displacing technological efficiency and shortly less Asian wage rates. After all, he notes, "The 20 years of trial and error between 1930 and 1960 resulted in 30 years of unparalleled growth between 1962 and 1972."

To the economists who share Haller's way of thought, the free movement of money and goods was the main stimulus to post-1945 prosperity, the glory days of free enterprise. But the economic crisis has undermined many old liberal beliefs, and the ideal of a world trading freely may be the biggest intellectual—and economic—catastrophe. Ironically, Haller says, now finds himself equipping a planned economy. Writing in *The New York Times Magazine*—which, with the establishment liberal *New York Review of Books*, is one of the new breed's favorite public forums—Haller recently eulogized the Reagan administration's "heroic" capitalism. "Having created a system involving joint ventures between government and the multinational corporations," he expects that 30 years from now, Haller says, "General Motors and Boeing and IBM will have government officials on their boards and access to government financing; they will no longer clearly know whether they are part of the private or the public undertakings of the economy."

Haller's changing view is also reflected in his recent philosophical reversal of a degree of protectionism. Suddenly he finds himself in sympathy with once-heretical ideas of the infamous Cambridge Group of economists in England, who advocate isolating domestic economies from the flood of cheap imports. "The new capacity for international production has produced terrible vulnerability," Haller says.



Katery with Subway 2001's got it right: a cocktail on the brink of economic disaster

## COVER

covers. "When the economy is largely healthy, like the U.S. was after the last war, free trade works to its advantage. That world no longer exists."

In Canada, where there has consistently been greater movement between the business and government sectors, the new thinkers often seem less hostile. Amazingly, they have tended to attract less public attention. But among them Wendy Dobson, executive director of the conservative-minded C.D. Howe Institute, is emerging as one of Canada's most thoughtful and quietly radical new economic philosophers. A graduate of the University of British Columbia, Harvard's Kennedy School of Government and Princeton University, Dobson, 41, wears no instantly visible political or economic label. Instead, she takes an intensely pragmatic course, finding possible—and also explains that they are only possible—solutions in the cracks between the more flamboyant ideologies. "We have gone through a period when we believed there were philosophical approaches that would solve the problems of managing an economy," says Dobson. "Keynes got supplanted in the 1970s by monetarism, and they were supplanted recently by supply-siders. None of them has been able to solve the problems that have been the answer. And the answer is probably because we are growing unsteadily problems."

Dobson is skeptical about the whole notion of a simple industrial policy that would provide the world economy with a new set of answers. After all, the federal government has been trying an endless line of "temporary" industrial policies for at least 20 years. Says Dob-

son, "I don't even know what an industrial policy is anymore. The MIT [the 1980 National Energy Program] was a major industrial policy. And cutting the corporate income tax would be a major policy. I guess I would say to the federal government, For God's sake, for God's sake, don't do anything, and just stand there for a while. Just try and sort out the conflicting signals. Get your [own] work right." That is encouraging advice to a royal commission that has been given as long as three years to report, but is as welcome to the nation's 15 million

Lamney, asking them about the world



unemployed who are hoping for a quick economic turnaround.

Dobson disagrees with Hall-Brown's notion that some form of wage-and-price controls—a state-imposed "ceiling" on inflation—is inevitable unless some of the social programs and freedoms that growth produced in the boom years of the 1950s and 1960s are sacrificed. "You don't go back," she insists. "You don't say people have to suffer after all."

High tech, if there is a completely fulfilled bar to technological innovation, is in the hands of the liberalists. It is in Lester Thurow, 44, the Massachusetts Institute of Technology professor, is giving a reputation as the most articulate shaper of economic opinion since John Kenneth Galbraith and Hall-Brown. Thurow accepts—and actively seeks—across in the media. He is also currently a pessimist. Thurow believes that North America is on the brink of economic disaster, without hope of growth for at least six months. He says, "Recession isn't new. We have had six since the war. The idea that you could have full employment without inflation deserved to be discredited. But we discredited it with a massive accident. There has been no growth in the United States for four years." In his widely read 1980 book, *The Zero-Sum Society*, Thurow suggests that Western society has discovered how to allocate resources rewards but does not know how to allocate losses. Accordingly, the failure to distribute economic pain equitably brings on economic paralysis.

Thurow's personal solution is the dilemma of employing everyone without bankrupting the economy is resolved by suggesting nothing short of integrating individual national economic policies, currently at cross-purposes and separated by rising protectionism. "No one government can relate by itself," he says. "That's what France recently said. But, if the four major economies [the United States, Great Britain, West Germany and Japan] co-ordinated policies, it would probably provide the stimulus required."

That idea, however, calls for an industrial policy—something that Americans have been notably reluctant to accept. In the past, Thurow sees no alternative to more planning, however it is up to governments to regulate and restrict nature and declining industries—the so-called "zoo" in business—and encourage the growth of "zoo" sectors. To Thurow and others, the rise in high technology—one of the reasons he and his colleagues are known as "Atari liberals"

inevitably, some of these strategies will echo in Canada, given the economy's dependence on U.S. markets and capital. But Thurow, an American, is more of a Canadian nationalist than any of his colleagues north of the border. "Canada doesn't have to copy the economic policies of the United States," he argues. "Look at the Austrians. Their economy is even more dependent on the German economy than Canada's is on the United States." But they have kept inflation low and growth high and they have had less unemployment.

Probably the most controversial, and original, voice in the economic policy debate is that of a group of economists centered at Cambridge University in England. Until recently, their protectionist ideas were dismissed as outrageous, now heretical. But with protectionism risks in the world, they are finding an increasingly wide audience. While duties and other tariff barriers have been ostentatiously disappearing since the original General Agreement on Tariffs and Trade started in 1948, new "soft" barriers are erected almost daily. Canada's import restrictions on Japanese cars, France's limits that all Japanese wine must enter the country through one obscure frontier town. And would that be, which actually stopped growing last year, may even decline this year.

Comments. The most extraordinary thing about the protectionist debate is the converts it is attracting. Thanks largely to the Cambridge Group. In the 1980s free trade was sacrosanct—"the tide which raises all ships," as former president John F. Kennedy dubbed it. It was based on the premise that once an industry (the steel was protected from cheaper exports, other industries would have to buy the more expensive domestic product, thereby becoming more efficient themselves, and in time soon returning their own goods. But the National government, for one, has joined a number of the Cambridge Group to act as its policy adviser.

According to Terry Ward, another member, the group is critical of the monetarist policies of financial restraint that have dominated policy in the West since 1975. It advocates such non-Keynesian favorites as expanded public spending, increased government borrowing, more credit, lower taxes and lower interest rates—and, most significantly, a focusing-off of domestic economic from the outside. National economic, it says, have become "too porous." But quotas are not the answer, says Ward. "In Britain we put a quota on



West Coast trade: the unions demand economic adjustments be made in a civilized way

Japanese cars; the gap was filled by other foreign cars. It didn't help the British industry at all. Unless there is some more orderly distribution of trade shares, new economies will never be able to emerge."

In Ottawa one of the new liberal thinkers in the Senate Group of Canada's economic aid unit, Arthur Corbell. He believes that policymakers should be planning now to take advantage of an aging-union effort of the macro-economy, the information economy. Corbell foresees at least one million perma-

mentally unemployed Canadians as an inevitability. He, also, says they be included in the nation's economic life.

As the economy becomes more technologically efficient, greater numbers of people will lose their jobs. "But you're not going to keep that factory open if you can't buy anything power," he says. "There has to be some kind of a 'booster' that will guarantee demand in society." In Corbell's opinion, government's main planning objective should be to distribute income to people who cannot work in such a way that "you allow them to keep their dignity."

Symptoms. Another influential idea now being currently in vogue in the United States is Robert Reich, a 56-year-old professor of public policy at Harvard's John F. Kennedy School of Government. His book, *Working America's Dream*, co-authored with Jim Hightower, has gained a wide readership among Washington policymakers and Democratic party politicians looking for new tactics for the 1992 presidential election. An Alton, Illinois, man, Reich also is in for active government planning and restructuring of the economy. The world's most successful economies are planned, he argues, and the American—and Canadian—have no alternative in any way, the existing mix of conflicting policies—tariffs, quotas, export agreements, government loans and bailouts—already constitutes a form of planning. Reich wants to make the ad hoc approach more systematic.

Reich attributes many of the current problems in the North American economy to the period since the United States developed its high-value, high-

# The 1930s nightmare revisited

By Anthony Sampson

The past few months have begun to bring home to all the Western nations not only the gravity of the world recession but the extent to which each nation depends on others for its recovery. This is no longer means just the familiar fact that the U.S. economy affects all other economies: the prosperity of the United States itself is now dependent on other countries—including many in the Third World.

The economic crisis in Mexico, beginning last August, and the mounting problems in Brazil, Argentina and other Latin American countries have compelled the financial leaders in Washing-

ton governments, leading to revolutions, repudiations of debts with the West, and potential political chaos. In this situation a banking crisis would lead to a general collapse of confidence and authority. This nightmare scenario has an obvious resemblance to the European crisis of the 1930s, when the crash of an Austrian bank in 1931, in conditions of widespread industrial depression, precipitated a general loss of confidence during which all nations re-evaluated their own perspectives. The New movement then had a natural breeding ground, and it was that kind of nationalist behavior that the postwar economic system, which created the International Monetary Fund (IMF) and

collaborated. The Western leaders are, not surprisingly, proud of their achievement in bringing down inflation, but much of this reduction has been due not to national self denial but to the decline in world trade, production and employment and to the steep fall in the prices of commodities from the Third World. And many economists are now arguing that these trends are more worrying than inflation itself.

This new predicament is more serious for developing countries than for the industrialized West, but the interdependence between the two parts of the world is now very much more evident. In the words of the international commission on North-South problems

are all gloom for 1983 and, unless we act now, we may fritter away 1984."

Many economists, conservatives among them, now insist that only a major restructuring of the world's monetary system—in divided nearly 60 years ago at Bretton Woods—can provide the necessary means to legally to revive world trade and production and stave off a financial collapse, which could such a conference achieve? Certainly new arrangements to borrow from countries with surplus funds, such as Saudi Arabia and the Gulf states, could help to provide more world credit, and already the IMF is working such funds. But only a deliberate increase in world liquidity could compensate for the run-down in bank lending and national reserves over the past year. And the obvious mechanism is the creation of new Special Drawing Rights (SDRs), the kind of "paper gold" that the IMF first devised in 1969 as a means of avoiding dangerous restrictions.

The name of SDRs brings back all the worst fears about inflationary spirals, particularly from countries like West Germany, with vivid memories of past financial collapse, and the whole concept of the state as an artificial currency is a fragile one, depending on how far they can attract the same kind of confidence in gold. But this argument also spotlights the nature of the current world crisis, which is not just economic but psychological. It threatens a collapse not only of credit but of confidence (which is what the word "credit" originally meant).

Besides, the countries that are close to starvation, that are too poor to export and many of which depend on exporting commodities at knock-down prices, can only be helped by much greater allocations of world aid, by more systematic attempts to stabilize the prices of commodities. It is the instability and unpredictability of world trade, as much as its decline, that presents recurring dangers to richer countries as well as poor ones. Only if national leaders work together, to create more liquidity and credit, to stabilize the stability of currencies and commodities, are they likely to avert a more serious deterioration in world trade and to prevent the contagion of instability and fear from spreading round the world.

Anthony Sampson is author of *The World's Leaders and Global Crisis* (New York, 1981).

## CONVER

dominated production, while Canada's resource-based industries rode on its back. "After the way we were the dominant international economy with an enormous domestic market," he says. "But during the 1960s years of the advantage of the North American economy began to disappear. High volume, standardized production could be done overseas. And more of the international markets became saturated with products in which we specialized," he argues. But the memory of easy good times was hard to shake, and, instead of building assets Canadian and U.S. industries engaged in "paper entrepreneurialism"—the takeover wars and tax-avoidance campaigns of the last 15 years.

Sitting through all these points of view, and dealing with the political power they command, will be a trying task for the Macdonald commission, even with its three-year deadline. But

ters address what he sees as the real problem of the Canadian economy—the deadly effect that has on management disputes have on productivity. "There is too much mistrust between business and labor," he says. "That mistrust is not economic in nature and has been growing over the years."

Structural Review's approach will come under close scrutiny from another Macdonald commissioner, United Steelworkers National Director Gerald Desjardins. The recession (and perhaps the one-time miserliness of the union executive's past demands) has taken a frightening toll on Desjardins's dues-paying membership, shrinking it from 205,000 in 1981 to 130,000 today. "We require policies that will protect workers from the savage introduction of new technology," he says. "We live in a highly competitive world but we demand that adjustments be done in a

Commissioner Breton: There is too much distrust between business and labor



Cattle-ranching in Argentina, reexported in Brazil: the global predicament is more serious for developing countries



ton—including Donald Regan, at Treasury, Paul Volcker at the Federal Reserve and George Shultz at the state department—so think beyond their own frontiers and worries.

The economic crisis was in banking, brought about by the dangerous expansion of U.S. funds to Mexico. But almost equally serious has been the crisis of industrial corporations that have looked to Latin America for new orders and markets only to find these markets dwindling in the face of strict outflows enforced by the banks and the International Monetary Fund. As a result, U.S. industrialists as well as bankers have joined the lobby to relax the stringent monetarist policies toward other countries.

And the diplomats have a deeper concern that the harsh terms imposed on many developing countries will, in turn, impose an impossible burden on de-

veloping countries, leading to revolutions, repudiations of debts with the West, and potential political chaos.

The World Bank was specifically designed to prevent it. Fifty years later that parallel is now being more openly talked about by Western politicians and bankers. "No one who lived through the nightmare of the 1930s," one veteran Jewish banker said to me recently, "can fail to be worried by the resemblance." But it is one thing to perceive the danger and quite another to produce the kind of international co-operation that is needed for a solution. Instead, all the Western nations have been preoccupied in recent years, with some reason, with the fight against inflation, which was held to justify the stern monetarist attitudes of U.S. President Ronald Reagan or British Prime Minister Margaret Thatcher. It is much more difficult to combine this rigorous domestic restraint with more generous and pragmatic policies to rescue other countries from economic

collapse. The Western leaders are, not surprisingly, proud of their achievement in bringing down inflation, but much of this reduction has been due not to national self denial but to the decline in world trade, production and employment and to the steep fall in the prices of commodities from the Third World. And many economists are now arguing that these trends are more worrying than inflation itself. This new predicament is more serious for developing countries than for the industrialized West, but the interdependence between the two parts of the world is now very much more evident. In the words of the international commission on North-South problems



whenever it is not—the protectionists on the global resources, conservatives like Michael Walker at Vancouver's Fraser Institute, or even monetarists like the B.C. economist Michael Levy—the final proposals will almost certainly be a mixture. Levy believes in negotiating the money supply and therefore is flexible with interest rates, but he feels that the Bank of Canada currently is measuring monetary volume too narrowly.

That is essentially an economic conservative's theory, but current conditions make strange bedfellows. University of Toronto economist Albert Breton, formerly the Macdonald commission's most distinguished mind, is a non-Keynesian liberal and former policy adviser to the Prime Minister's Office. He, like Levy, feels that the key priority is to limit the expansion against inflation, only then can legisla-

tioned way." One adjustment might be additions to the \$1 billion that the federal government is spending on restructuring—less than one per cent of GDP, much lower than the 8.5 to 9 per cent allotted in West Germany and Japan.

So far, Ottawa's response to the structural problems of Canadian industry has been cut and paste at best. The federal government's most public policy initiative has been the Macdonald commission—an idea dreamed up, according to bankers, by the master of royal consultations, Trudeau adviser Senator Keith Dunder, and one that apparently came as a complete surprise to Lalonde. The commission boasts 50 members as far as Breton, Desjardins, Canada's former High Commissioner in London, Alan Watts, and University of Manitoba economics professor Charles Gauthier. Also on the list: Canadian business and particularly the consti-



Johnston, Nightingale's features' CAD/CAM computer: not enough beds to stay in the 1980s

played looking for a sign of hope from the government already have reason to feel disappointed. Other commentators are still to be expected, and the majority's tones of optimism are not yet set. Besides, Macdonald himself may well leave his post soon after the hearings start in the fall to run for the federal Liberal leadership—all of which leaves Canadian business and its unemployed years away from an enacted policy with which to tackle their problems.

There are other signs, however, that Ottawa has started taking the need for a new industrial policy seriously. Late last, a private administrator, a frequently lauded by the private sector for his willingness to listen to its views as he prepares his first budget. According to Stelo Chairman Peter Gordon, "there seems to be a distinct change in attitude" since Labov's resignation. Allan Macdonald in the Economic Policy last September. A new round of interventions in troubled industries may also be planned under the direction of Senator Jack Austin and Joel Bell, the two Liberal Ministers who gave Canadian Prime Canada, and are now at the newly formed Canadian Development Investment Corp.

Nevertheless, the brightest light in Ottawa now is Edward Lorne, Minister of Industry and regional expansion. If North America's top economic skills are right, to survive the 1980s Canada has to export its wares and its ideas from across the globe. Lorne has already supplied the government's \$10 billion worth of economic development programs in the hope that they will no longer intimidate small business. He has also drastically streamlined the Foreign Investment Review Agency. By the beginning of the year, when Linsky

had been in office only three months, there were only 250 foreign businesses awaiting their file to open up shop in Canada—down from 380 at the end of 1982, when the agency streamlined policy the personal service of international at each Gray. The improvement is welcomed by U.S. investors.

Macdonald. At the same time, Donald Johnston—in the twin portfolios of science and technology and economic development—is attempting to coordinate Canada's industry's need to improve its global production and the efficiency with which it produces marketable goods in a belated attempt to make the government more responsive to the regional strengths of Canadian entrepreneurs. Johnston has appointed a federal representative to oversee each province's industrial needs. They will provide "what we call 'business development perspectives,'" Johnston says. "It's an attempt to develop a perspective from the regions up, rather

than from the top down."

Johnston has said that he intends to help Canadian industry manage technological change by enhancing its technological base—mainly with selection, which improves productivity enormously. But just how he intends to accomplish that is not yet clear. In fact, there are fears in some quarters that the government's sudden enthusiasm for high tech may be too little, too late. John Shepherd, a former vice-chairman of the Science Council of Canada and now chairman of Leigh Instruments Ltd., points out that the new federal commitment to research and development still contributes only one per cent of gross national product to research and development, compared to about 1.6 per cent for the industrialized nations in the Organization for Economic Co-

operation and Development. For all of Ottawa's recent pronouncements, "there's a general view that we've not even making enough [technological] investments in the race," says Shepherd. Still, recent studies by Statistics Canada suggest that growth in Canadian employment dropped eight per cent between 1971 and 1981 as a result of even modest technological innovation.

An even more serious problem facing Ottawa's policymakers is whether Canada will be able to find an international market for its shiny new high-tech products, because the same strategy is being used in the industrial policies of nearly every other industrialized nation and is generally highly protected.

Still, firms in the Canadian private sector are investigating new tactics to reach the crucial international market. The most successful, and startling, plan so far range from CAD/CAM technology—computer-aided design and manufacturing—to assisted world product markets (invest) and trade regional ventures taking advantage of regional strengths, such as several alternate businesses that have been started in Sudbury, Ont. Their common feature is flexibility and, in many cases, adaptability. One is becoming increasingly common to find medium-sized companies, such as the Toronto furniture manufacturer Nightingale Industries Ltd., using CAD/CAM equipment to get out blueprints, transfer data and a bill-draw the work of perhaps four employees in Nightingale's case, the same allows, as president, Samuel Cohen, to cut costs enough to export 25 per cent of his wares to the U.S. States.



Even more common are companies based in the U.S. province. One of the most interesting initiatives to emerge in the search for Canadian industrial policy, firms are based on the premise that branch plants of multinational manufacturing companies in Canada should manufacture for global markets from within Canada. James Cameron, a vice-president of Westinghouse Canada who sits on the global product committee of the Ontario government, explains: "In late 1975 we decided that to continue to operate as a branch plant wasn't doing much for us. So we began to restructure our portfolio for markets outside Canada." As a result, Westinghouse Canada now has worldwide responsibility for certain products, from research and development to manufacturing.

High-tech industries with an eye on international sales are a strategy in themselves. But they are far from a complete solution to Canada's economic ills. In fact, Sudbury, Ontario and Northern Telecom of Silicon Valley North may have helped give the Ottawa area one of the highest per capita household incomes in Canada, but they are relatively few of them and they do not provide many jobs, especially to unskilled workers. Alcoa Inc., a joint venture in biotechnology involving the Canadian Development Corp., John Labov Ltd. and the Ontario government's Board of Industrial Leadership and Development (OILB), for one, is a fascinating project but one that will provide only 120 jobs, mostly for highly trained engineers.

Human expense. One of the most promising attempts at planned industrialism on the part of the Canadian private sector is also one of the most radical. Naturally Mahab Ltd. is now so close to work-shedded Sudbury, where the numbers of workers employed by Iron Ltd. and Palenbridge Mines Ltd. dropped from more than 10,000 in 1971 to 7,400 a year ago. A 100-per cent union subsidiary centre at Sudbury has done little to halt the trend, and another 2,000 mining jobs may disappear from the community in 1983. In that climate a group of local residents, named Sudbury 1981, has set up a number of economically viable alternatives to the mining industry—on principles of self-sufficiency that would make the Canada Group proud. The businesses include the manufacture of mining tools (invented by Sudbury residents), a farm growing Jerusalem artichokes (Sudbury has 30,000 acres of prime farmland but imports 90 per cent of its food) and a bed of agave cactus, hardly unusual

which seem to thrive on Sudbury's peckmarked landscape. The group's goal is to spin into existence designed in Sudbury and marketed in Toronto. Often accused of being anti-progressive, Norman Kistner, one of Sudbury 1981's founders, points out that "none of the human or informational exchange [of conventional work] will disappear in all this. It is the degree of dependence on [local] exports that will disappear."

The clash between the inflationary post-Keynesian and monetarist supporters has demanded economic policy debate for a decade. The battlefield on which they fought is littered with many, if not most, of the demands and necessities of economic life. But crises are often catastrophic. They demand a look at larger, more fundamental issues. Is a

race for robots, Canadians become robotic characters? The point made by Pyrrhic. Notes Wendy Dobson. "If it turns out that these structural problems are something that we can't tackle without raising our backs on some of our traditions, then we're going to have to live in this world."

Heavy images. That dilemma begs the ultimate economic question in the current worldwide search for policy: what human ends should all the economic activity be serving? That question is as much political as it is economic and should—but may not—be the central issue that the Macdonald commission tries to answer in its investigation of the "attitudes, policies and institutions" that make up the Canadian "economic system."

Whether Macdonald's commission can devise a way to get Canada back to the sustained growth of the 1960s and 1980s is an interesting speculation on as, say, the idea of Macdonald repeating Trudeau as the leader of the 80s. But even if, for his part, Macdonald modestly acknowledges his own limitations in recognizing the heavy images that appear in economic crystal ball. Looking from a chair in his surprisingly tiny bank-tower office, the commission chairman remarks: "It's God damn presumptuous to assume you're going to solve all the problems. I don't think you should underestimate the potential effects of public policy." From the man who gave Canada the Arts and Letters Award and an employee National Energy Program when he was in the Liberal cabinet, it is surprising advice. "I have my own mind. I think I probably exaggerated the extent to which you can change things with public policy," he says. "I don't think you should."

Perhaps Macdonald has no alternative. As Robert McEwen suggests at the end of his prophetic 1978 study, *Revised Boom and Crash*, deep changes are required to ensure even modest economic growth. "It will require 'the emergence of an institutional shift that is already being, although like all such shifts much moved and resisted. The shift is in economic planning, the only institutional transformation that can, in my opinion, give a new measure of life to the Canadian system.' The shift presents an awesome challenge. But, because the end debate between Keynesianism and monetarism has exhausted itself in the agony of the current depression, the Macdonald commission is now free to pursue new, untried directions."

Will David Green in Ottawa.



Dobson: the danger of paying too dearly

society being quickly transformed by protectionism, structural unemployment and the rising, ubiquitous microchip, work itself may be a luxury. Unemployment and the industrial mistakes of the past may create a class of people permanently unemployed.

In the leading power to make Canada competitive with the landless economies of Southern Europe, there is danger of paying too high a price. If the structural solutions of the economy are bought by sacrificing off the weather prizes won during the Just Society, if the technological revolution, so often blamed on the federal government, is in fact, as asserted at the same time, a man expense as its productivity, if it



Increasing health and human services secretary Margaret Heckler with Schwarzkopf and Reagan image of a founding adviser

## WORLD

# Reagan fights for control

By Michael Posner

A self-taught go, the message itself was hardly surprising. "We are concerned about what is happening now," it said. "We see the administration drift, with [Ronald Reagan's] own leadership having been seriously eroded. There is a strong sense that the White House has somehow lost its compass." What was startling about the comment was the fact that it appeared in the Washington-based liberal *Women Events*, one of Reagan's most loyal supporters, in recognition of the president's second anniversary in office this week. Similar criticism can be found almost daily in the opinion pages of major U.S. dailies. But James Burnham is not only a national conservative weekly, it has also been among the most ideologically motivated champions of Reagan's program. For its editors to cite the president as a liability in the forum of political propaganda—abandoning his long-held for conservative agenda—was a daring commentary on the Reagan presidency at its infancy.

Criticism of the Reagan administration has become so widespread that last week the president felt compelled to defend his record. At an extraordinary

press conference, he charged that the media had created "chases" with incorrect reports about indications over arms control and the budget.

But other events last week only colored more deeply the White House's image as a floundering institution. The president replaced a cabinet officer, Richard Schweiker, who resigned as secretary of health and human services to join private enterprise, fired his chief arms-control adviser, Eugene Roslow, dismissed Ambassador Richard Stan, who was negotiating East-West troop withdrawals with the Kremlin in Vienna, and was quoted as complaining that

traffic's apparent confusion is seen as a political melting that necessarily occurs halfway through a president's first term. Certainly the departures of Lewis and Schweiker fit that category. If policy disputes played any role in their decisions, they were not prominent. Still, the shakiness at the Arms Control and Disarmament Agency and the mounting concern about the 1984 budget, which produced better information than ever where to make cuts, left the impression of a White House adrift from its moorings.

In the view of his critics, the president himself must shoulder the heaviest burden of blame. To begin with, as a delegator, he rarely gets involved in detailed discussions of foreign or domestic policy. Sometimes he apparently does not even attend critical meetings—a recent omission on the budget deficit was seen—preferring to let his aides settle arguments amongst themselves, then present recommendations to him for a decision. But, as

Washington Post columnist



David Broder observed last week, that style threatens to turn delegations of authority into outright abdication.

Nowhere is that indiscipline more evident than in the intense struggle for control of disarmament policy. Roslow, who has a notoriously suspicious view of the Soviets, apparently ran afoul of the White House for not being hard-line enough. Last week, concentrating on the administration's refusal to back his deputy's confirmation in the Senate, Roslow depicted himself as steering a course between those "who want an agreement with the Russians at any price and people opposed to having any agreement at all." But Roslow found his authority constantly undermined.

When Edward Rostow, the chief negotiator on strategic arms talks, suggested recently that the odds of an agreement with Moscow may have a promising 50-50 chance of success, both the White House and the state department partially contended that such optimism is unfounded. And, when Paul Nitze, chief U.S. negotiator for theater nuclear weapons talks, indirectly hinted last summer that Washington might consider something less than the complete elimination of intermediate weapons by both sides, he, too, was appalled. When he was saying himself to his staff last week, Roslow outlined his complaints in stark relief: "The political and bureaucratic difficulties never quite went away," he declared. Roslow's successor, Kenneth Adelman—now, deputy U.S. envoy to the United Nations—is a loyal Reaganite and susceptible to the hard-line Senate ideologues whom Roslow annoyed. Still, Secretary of State George Shultz says he will claim a larger role in setting disarmament policies himself—and Shultz is a close personal friend of, external tensions are not likely to dissipate. But, as one administration official observed, the next six months will be largely a public relations war as Washington and Moscow both try to persuade European public opinion that such is the more sincere about peace.

The arms control challenge and domestic pressure to repair the economy will probably monopolize Reagan's attention in the months ahead, especially if, as expected, he intends to seek a second term in office. A president in his second year can afford a recession, a three-year president cannot. Every step he takes must be calculated with an eye to its impact on the campaign. To the inevitable disappointment of conservatives, Ronald Reagan will likely try to restore political order to his divided house by implementing trustful policies aimed at keeping the zealous critics that give him the Oval Office reasonably quiet. □



The rebellious Ochoa in Cuba: "This thing is not over yet!"

EL SALVADOR

## A mutiny, but not a coup

A few hours after he had ended his rebellious five-day occupation of a provincial capital last week, Col. Salvador Ochoa Pérez was released and even in a jovial mood. He was decidedly cocky for a soldier who had vilified his commander, Salvadoran Defense Minister José Guillermo García, as "a little Hitler." As the penalty for his mutiny, Ochoa was assigned to the prestigious Inter-American Defense Council in Washington. Said one bemused diplomat of a posting that most military men yearn for: "The defense minister does not dare do anything drastic for fear of splitting the army."

For Ochoa, the sign began when García ordered him to surrender his command in Cuban state. The sticky officer is widely respected because of his success in fighting off attacks by left-wing guerrillas. As a result, when he was tentatively to take up a desk job in Uruguay, Ochoa was also to receive the support of both his troops and local citizens and openly defy García. He demanded that the defense minister resign and backed down only after the intervention of President Alfonso Aguayo. Still, last week's mutiny exposed a deep, longstanding power struggle in the Salvadoran government between García's moderate followers and their ultra-rightist rivals. While armed forces leaders publicly condemned the soldier, many officers privately support his ac-

tion. That García has badly mismanaged the three-year-old war with left-wing insurgents. Said one army officer in San Salvador: "Ochoa is not the problem. Ochoa is the spark. This thing is not over yet."

Despite Ochoa's assurances that he was not attempting a coup, some Salvadoran interpret his actions as a direct political threat. "The possibility of a coup d'état from the right has always been here," says Jaime Andrés Ray Príncipe, chairman of the Christian Democratic Party and an ardent partner with the right-wing National Republican Alliance, led by Roberto Avelino. Life members of the military, Avelino has been clearly frustrated by the defense ministry's unwillingness to win the civil war. In the last three months of 1982 alone, the armed forces suffered 1,200 casualties.

The mutiny was embarrassing for Washington, which supports the Aguayo government. García has long been the Reagan administration's main hedge against right-wing extremism. But now he badly damaged reputation may not short his career. It will make the White House's job of endorsing the Aguayo government all the more difficult when the U.S. Congress enacts the Salvadoran human rights sword later this month before considering a \$61.3-million military aid package. —ERIC HANSEN/INQUIRY IN SAN SALVADOR



Mobin in Lebanon: Washington needs Mideast progress and has the need to lose.

#### THE MIDDLE EAST

## Trying to seize an initiative

**I**n the end it was a victory for ambiguity. After six intensive sessions (Israeli and Lebanese negotiators last week broke the cease-fire tying up an agenda for their historic peace talks) Jerusalem had been seeking Damascus not only of troop withdrawals but of normal diplomatic relations: open borders, trade and an end to hostile propaganda. Beirut, under heavy pressure from Moscow at home and abroad, had balked at the term "normalization." The issue was finally dropped with a proposal by U.S. mediator Morris Draper: Under "mutual relations," Israeli and Lebanese will be free to raise any number of subjects, although conditions for Israeli withdrawal will probably dominate.

Still, even though a compromise was hammered out as the agenda, some difficult obstacles remain. For one thing, the Israelis will not pull their forces out of Lebanon until Syria and its units also depart. And there is increasing concern in Washington that Damascus, anxious to make progress on the Reagan administration's broader peace initiative, will not soon withdraw. Indeed, Syria's foreign minister, Abdel-Rahim Khaddam, last week vowed to thwart any Lebanese-Israeli pact that threatens Syrian interests.

For the Lebanese, a statement on the troop withdrawal issue is a welcome driver. While the contingents remain an affront to the nation's sovereignty, they buy time for the Shiite Lebanese forces to build up strength. For Syria, its Soviet patron and the PLO, keeping the troops in place is a tactic aimed at maintaining diplomatic leverage in future negotiations.

The party with the most to lose over the response in Washington, which needs progress in Lebanon in order to lend momentum to the president's peace proposals. Special envoy Philip Habib this week embarked on another round of shuttle diplomacy through the Arab capitals of Damascus, Riyadh and Amman, and there is cautious optimism that Jordan's King Hussein will shortly declare his willingness to enter a new round of negotiations. The United States has been pressuring Israel to make concessions in the Lebanese talks, with the goal of getting Arab consent to Israel's long-awaited debut at the bargaining table. The king last week disclosed that he had received a letter from Ronald Reagan purporting to pledge U.S. support for the return of all occupied territories, including East Jerusalem. The promise itself seemed unlikely—Reagan's September initiative promised just the opposite—but Hussein's statement was interpreted as part of the effort to build Arab consensus for his participation.

Hussein is still thought to be pressing for a freeze on Israeli settlements as the West Bank as a condition for joining the talks. Jerusalem has so far refused, contending that a freeze is tantamount to recognizing Israeli sovereignty on the West Bank. At best, Washington now hopes that Israeli Prime Minister Menachem Begin might be persuaded to impose a temporary—and, presumably, after he meets with Reagan at the White House next month. In the Middle East, as last week's agenda compromise underscored, peace approaches one small step at a time—if at all.

—MICHAEL POMER in Washington

#### JAPAN

## Nakasone makes up for lost time

**F**or both Japan and South Korea it was a warm and long-overdue reconciliation. In making the first-ever official visit to South Korea by a Japanese leader last week, Prime Minister Yasuhiro Nakasone hailed the occasion as "a new and vital stage in our relationship." And, to anchor the honeymoon, Nakasone brought with him a \$4-billion economic aid package to bolster South Korea's debt-strapped economy. The loan was a result of years of often acrimonious negotiations between Seoul and Tokyo. Korean officials have traditionally declared that such a package was a prerequisite to warmer ties with their former colonial masters. And, despite lingering popular resentment over Japan's brutal occupation of Korea from 1910 to 1945, President Chun Doo-hwan called the massive aid package "a very warm commitment" for improved relations.

Nakasone's visit also set another precedent. It was his first trip abroad since taking office in November, serving as a jumble to the even tougher task

## Japan unveiled a new trade plan that promises to throw open its markets to more foreign-made goods

he is taking in Washington this week, just after giving a message to Prime Minister Pierre Tripartite, who flies in for four days of talks on trade (page 18). Nakasone managed to smooth over strains with South Korea, eased recently by Japanese education officials' attempts to win school admissions of Japanese students. But differences with the Americans may be far harder to reconcile. Nakasone is under mounting pressure to trim Japan's spectacular 350-billion trade surplus with the United States and to widen its defense commitments. But resistance to change from his own countrymen will leave Nakasone with little room to maneuver in Washington.

Japan's defense posture is a major irritant, between the two nations. Recently, the Japanese agreed to boost defense expenditures this year by 4.5 percent. In addition, Nakasone last week approved export of military technology to the United States in a special exception to Japan's policy of forbidding



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arms sales abroad. But that falls far short of Washington's demands that Japan shoulder a greater part of its own defense, including patrol of regional sea-lanes. At the same time, Nakasone is mindful of strong pacifist sentiments at home that threaten to scuttle rearmament. Indeed, Japanese leftists still believe it is essential that former prime minister Yoshiki Sasaki once fired as aide just for advising one of the word "alliance" in a communique about military relations with the United States. In light of that sensitivity and of a constitution that forbids militarism, Nakasone has said that he expects to make little further progress in revising Japan's present security agreements.

Even more contentious is the issue of trade. Following earlier tariff reductions on manufactured exports, the Nakasone government unveiled a new trade plan last week that promises to throw open the Japanese market to more U.S. and European agricultural products. But that move was not popular with 7,000 Japanese farmers who only a day earlier had angrily demonstrated in Tokyo against relaxing restrictions. Chanting anti-U.S. slogans, they demanded protection from cheap foreign produce, while they said, would destroy domestic agriculture's viability. For their part, European and U.S. trade officials say that the new Japanese export policy falls far short of what they had demanded—the removal of import quotas on 22 critical items, including beef and oranges.

Prior to Nakasone's surprise concessions to Japan's major trading partners last week, relations were on a dangerous slide toward protectionism. In France government officials have ordered all incoming buses video recordings channelled through a small provincial customs office at Poitiers. The move, which effectively choked off all imports of video recorders, mirrored a similar move taken last year by Canada. Ottawa officials who slow customs procedures of Japanese-made autos to a crawl. The construction to such steps among the Japanese has been to demand a boycott of Western-made goods. That course is potentially so perilous that Nakasone last week openly pleaded with his people to keep buying Western-made products.

Despite an uneven performance, Nakasone has accomplished more after two months in office than his predecessor, Sasaki, did in 2½ years. But, if he is to be successful in balancing Japan's growing economic and military commitments abroad with the interests of his fellow countrymen, the prime minister will face a far greater challenge in the months ahead.

—PETER MCGILL, in Tokyo

## BRITAIN

### Thatcher's dreams of glory

Margaret Thatcher's performance as prime minister has been compared to Queen Elizabeth I. And during the Falklands War it did seem that she was casting herself in the role of Gloriana inspiring the resolve of the Spanish Armada. Last week, as the odds shortened on a general election for 1993 (the exact victory is not a June or October date), the prime minister made a surprising and dramatic visit to the windy South Atlantic islands to demonstrate that, for her at least, the famous "Falklands Factor" retains its potency. The five-day tour—Thatcher called it "a personal pilgrimage"—turned into a visit three cents against the U.S. dollar in as many days. Thatcher was furious on her return and personally rebuked City financiers. "For God's sake, ladies, gents," she said, "there would, she finally stated, be no early election.

For Thatcher's Conservatives, however, the electoral prospects are indeed tempting. Labour is in disarray at a time when its former Labour prime minister Sir Harold Wilson has commented, it should enjoy a 30-to-10-point lead over the Conservatives. Instead, it trails by seven. On the other hand, satisfaction with Thatcher's performance, though 55 points below her 58-per-cent Falklands rating last June, remains almost double that of a year ago.

Pundits are baffled by the phenomenon. Labour's infighting, stirred up by its militant left wing, may be a factor in the government's popularity. But many observers also believe that a seismic shift to the right is taking place throughout Britain. At the same time, Thatcher, far from her confident qualities, commands no popular appeal. Then Labour's Michael Foot, the son of an upper-class family, who appears more at ease in a book-lined study than in a raucous meeting hall. The Conservative Party has become "rougher, tougher and stronger than I thought," says the party of the past. "Not only that, but the party manages to keep its internal squabbling to a minimum, despite Thatcher's well-known dislike of her foreign secretary, Francis Pym. That is because his ministry will likely shoulder most of the blame in an official report, due to be released this month, for not detecting Argentina's intention to invade the Falklands sooner.

When an election is finally called, the Conservatives will have a number as much of the Falklands Factor as remains fresh. They will also have to address the spectacular growth in the anti-farmer movement which has recently spread for beyond traditional activist groups. Their party will also have to risk losing credibility on the issue because Foot's deputy, Denis Healey, is a committed supporter of NATO who believes only in multilateral disarmament—century in the party line, which calls for universal disarmament. But the economic factor will likely concern jobs and economic recovery. And if Thatcher is to win a second term in office, she will have to set aside her regal dream of glory and apply her famous will to the more mundane matters of British life.

—CLARE KENNEDY, in London.



Visiting the Falklands: 'rougher, tougher'

uppal progress charged with emotion. "We couldn't let you down," she told the assembled thousands, who gave her the Freedom of the Falklands on an ornate medal. People openly wept as she congratulated them on their fortitude. One was carrying a child on his shoulders declared, "You didn't do so badly yourself, Maggie."

But if Thatcher had planned the journey for electoral reasons, it backfired in at least one respect. The piffling money market reeked it as a pointer to an early election, and, because a Labour Party victory was feared, the pound plunged

# PEOPLE

It's the show business adage—that the more pre-opening publicity, the greater the chance of a hit—is true, then Merle, the twice-poisoned Broadway "magical realist," should be a smash. Starring Canadian magician Doug Henning and U.S. stage and nightclub star Chita Rivera, the Merle-don't stand climbing show was originally set to open on Boxing Day. Then the date was moved to Jan. 8. An advertisement in last week's *New York Times* warned theatregoers to prepare themselves for the magic on Jan. 30. "Most shows open out of town, but this production couldn't since the sets and technical problems did not allow that," explains one of Merle's four producers, Martin Krauss. But what about the last-minute switch in directors? Krauss will not comment on the change to Canadian film-maker Ivan Reitman—another of Merle's producers—in his Broadway directorial debut. What about famed choreographer Ron Field being replaced? "Just say that we had a pre-Broadway tour on Broadway," replied Krauss, "and that we have had the normal amount of everything." What Merle does have is an abnormal amount of talent. They would winners Robin Wagner and Theoni Albright are

Merle's Henning and Rivera, a smash?



designing the sets and costumes, respectively. Academy Award-winning New Yorker Elmer Bernstein (Minskoff, *The Great Gatsby* and 128 other film scores) is the show's composer. Krauss says that he feels great about Merle—after all, it did break house records when it premiered at the Mark Hellinger Theatre during Christmas week. But will people pay \$40 per ticket to watch Rivera turn a woman and Henning make a horse disappear? It remains to be seen on Jan. 30 or Feb. 6.

It was the kind of evening that delights Washington politicians: a private dinner at the Piers Supper Club for visiting British MP John Gorton, host Steven Markham, a Washington lawyer whose clientele includes Margaret Trudeau, had assembled an impressive Capital City wit, including White House aide Je-



Gorton in Washington; Gorbachev (below) a political shot

A universal story in the *West German* newspaper *Die Zeit* has created quite a fuss in the Yukon. The Hamburg-based daily, which boasts a circulation of 8 million, recently ran a bar-raising account of a terrified bird



being poked out of a tree by his aides and devoured by wolves. The article went on to detail the plight of a seven-year-old girl who was mistreated by a pack of men after stepping out of her home. The exact location of the incidents was not given. Government officials in the Yukon, ever mindful of the estimated 8,000 German-speaking tourists who visit the terri-

tory annually, are livid. Howard Finney, the minister of responsible resource, dispatched a Yukon to *Die Zeit* letter last week telling the report "highly sensational and completely untrue." Tracy claimed that there has never been a documented case of a wolf killing a woman in the Yukon. However, *Edgar Poe* Week isn't relevant in defense of his Montreal-based franchise, *Faerie Lore*. Book said, "We have to believe our stringer before we believe a *Yukon* from a foreign government." Perhaps he should check up on his own editors. What Lou says he "passed on" were "stories or whatever I heard about," including "one well-known attack on Alberta."

—EDITED BY BARBARA BRIGHTON

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# The trust quagmire deepens

By James Fleming

Events appeared to be slowing in last week on **Banque Leonard Rosenberg** and other key players in the controversial November sale of some 15,000 Toronto apartment units to unnamed Swiss investors. Their rapidly fashioned financial engines were shaken earlier this month when the Ontario government seized the assets of two Rosenberg-controlled firms, Crown Trust Co. and GreyMac Trust Co., as well as another firm involved in the deal, Seaway Trust Co., owned by Andrew Markle. In a related move, the federal government took over two federally chartered firms, Seaway Mortgage Corp., owned by Markle, and GreyMac Mortgage Corp., controlled by another sibling active in the drama, William Player.

But amidst a plethora of developments last week, which included the appearance of several actors for Crown Trust and GreyMac Trust, there were signs that the situation might soon take another turn for the worse for Rosenberg and his associates.

As rumors swirl, the business community about the government's investigation into the trading practices and management of the seized companies and nervous customers lined up to inquire about the safety of their funds, government officials kept a tight lid on the progress of their probe. However, **Maclean's** was expected soon, possibly this week, when Robert Sikes, Ontario's minister of consumer and commercial

relations, reports to the legislature. Whether an allegedly illegal activities by the companies would be unearthed remained unclear. But there were strong indications last week that a Crown prosecutor had been called in to do preliminary charges against certain principals in the drama.

If charges are laid, the defendants can be expected to fight back, especially last week's legal maneuvers for the seized firms served by legal and several officials involved in the investigation with two letters of intent to launch legal action. One notice, which was served by Markle's lawyers, listed 16 complaints. Among them: trespassing, introduction, abuse of legal procedure, and defamations. The other, served on behalf of GreyMac Credit Corp., Crown Trust and GreyMac Trust, termed the government's actions "unlawful," complained that the seizure had taken place "without benefit of prior hearing or prior notice," and said that it "has destroyed or will destroy" the viability of Crown Trust and GreyMac Trust.

The seizures were a dramatic new twist in the controversy, that has grown over the companies' operations since

last November when Rosenberg, through his private holding company, GreyMac Credit, bought the apartments for \$279 million from Cadillac Fairview. Before that deal closed, Rosenberg sold the purchase rights for \$312 million to William Player, owner of Kidderline Investments Ltd. As part of the deal, Player sold the purchase rights for \$500 million to a series of numbered companies with unknown owners, reportedly 250. Rosenberg, in turn, sold the purchase rights for \$500 million to a series of numbered companies with unknown owners, reportedly 250. Several politicians and industry observers criticized the rapidly escalating price tag and the first, second and third mortgages totaling \$775 million, that were used to finance the deal.

The major question was whether the mortgages totalled more than the legal trust at 75 per cent of the true value of the property. But last week even more doubt was raised about the mortgages. Cadillac Fairview, which took back \$120 million in second mortgages when it sold the property to Rosenberg, revealed on Jan. 12 that an estimated \$1-million payment due last



Rosenberg legal action

Monday was overdue. Player was the man responsible for making that payment, since he signed a 10-year leaseback agreement with the first owners under which he would manage the properties and take care of mortgage payments. But Gerald Shuff, president of Cadillac Fairview's residential division, said he had been unable, so far, to contact Player about the matter. One complicating factor for Player was that he and Rosenberg had been told by their bankers—the Bank of Montreal in Player's case, the Canadian Imperial Bank of Commerce in Rosenberg's—to take their business elsewhere.

As far as the seized firms, if assignments

and Crown corporations set up to protect depositors in bankrupt financial institutions. The loans in registered retirement funds, of course, has even more weight attached to the protected selling. Thomas Delaney of the Consumers' Association of Canada notes that the trust has not been revised upward since the trust's creation in 1981 and was "grossly undervalued."

More important, a controversy erupted over whether or not the federal and provincial governments should act quickly to pass new legislation—already under consideration in Ottawa and Ontario—to subject trust companies to more rigorous regulation similar



Nervous customers outside GreyMac branch, call for greater insurance protection

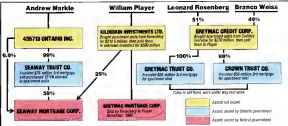
to that applied to the chartered banks. In particular, there are growing calls for laws prohibiting any one seller from controlling more than 10 per cent of a trust company. Says Robert Blacklock, president of the Canadian Bankers' Association, "They [trust companies] should be subject to the same rules as banks." Major trust company officials, however, disagree. For one thing, says Henry (Hill) Zukerman, chairman of Victoria and Grey's board, "Rebuttal shareholders are needed to provide trust companies with ongoing capital." Still, Zukerman does believe that the \$1-million maximum capital legally required to start a trust company should be raised.

Whether Ottawa will be prompted to speed up passage of new trust legislation that has been in limbo since 1980 remains unclear. If it does, provincial legislatures would have to pass parallel laws promptly, since trust companies are incorporated either provincially or federally. Such action may be necessary to remove what was trust officials' "the last straw over our shoulders."

But the key issue is who owns the affairs of, Newfoundland has consistently maintained that an agreement would be useless unless the membership issue is either settled or put aside permanently, because whoever was later chosen would have to agree to try to tear up the agreement. Christian and Marshall seem eager to get their business settled before the supreme courts of Newfoundland and Canada rule on the question later this year. Their desire—would Newfoundland has remained open—would be to extend the offshore agreement in the Constitution so that no government could subsequently scrap the deal. The constitutional issue is a long-term one that is still in dispute. Procter and last week's Christian is believed to have shown some flexibility in that area as well.

Officials from both sides ended the week in Montreal, where they began the long-awaited task of drafting an agreement. "We can draw up an agreement, there is always some problem that can emerge," cautioned Christian. But the greater was optimistic nonetheless. "We're further along than we have ever been before," said a jubilant Procter.

MICHAEL CHURCHMAN in Halifax.



## A lumber showdown looms

**T**hese Waterland, British Columbia's forestry minister, is in the fight of his political career, now facing a vote in the House of Commons as he tries to head off an attack on Canadian lumber exports to the United States. As one of the key players in a major dispute over tariffs, he knows that if a U.S. campaign for a new 60-per-cent duty on Canadian wood is successful, it would have devastating political and economic effects on Canada, crippling British Columbia's forest-based economy. The threat to \$2 billion worth of wood exports (most of it used in house building) comes from a coalition of 380 U.S. forestry firms which claim that Canadian lumber exports are unfairly subsidized through the low fees that governments charge companies in Canada to cut, transport and export the lumber, which has powerful friends in the U.S. Congress, represents about 30 per cent of U.S. forestry firms and it is asking the tariff to reduce what it calls "unfair competition." "Such an onset could literally destroy the underpinning of the U.S. economy, with it, the single most important industry in this entire nation," warned Waterland last week.

The seeds of the conflict were sown in the late 1970s when Canadian lumber exports, aided by a weak dollar and a booming industry hungry for wood, expanded to the point where they supplied 30 per cent of the U.S. market in 1981. But, by that time, with the United States gripped by hard times, house building had slumped from the usual two million starts in a good year to half that number. As house building slowed and the demand for lumber shrank, U.S. forestry companies found it increasingly irritating that the Canadian share of their domestic market continued to grow. "I don't think Canada is really the target, I think we are the scapegoat," said Waterland, explaining that some of the friction between the countries is caused by the U.S. system of selling off federal and state timber on the highest bidder. Lumber prices have fallen since the bids were accepted, but the U.S. buyers are still stuck with high timber prices—unless Canadian firms, which pay less based in part on the size and fall of timber prices. The U.S. saw-saw department is currently investigating the question, partly through a list of 205 companies now being filed out by federal and provincial governments, a questionnaire Canada has to answer under the terms of the General Agreement on Tariffs and Trade.

Under a bureaucratic process that is relatively immune to lobbying from BC interest groups, the questionnaire

part must decide by March 7 if Canadian governments do indeed subsidize the country's lumber industry. That ruling is now due to be followed 75 days later by a decision on the charge that Canadian competition has injured the U.S. lumber companies. Canadian forestry firms are growing increasingly nervous about the threat to their exports as they work out the timetable, but they are not without hope—or allies in the United States. "The interesting thing is that the U.S. National Association of Homebuilders is on the Canadian side," said John Ross, senior vice-president at McMillan Bluedel Ltd., one of the companies heavily dependent on exporting to the United States. "They want Canadian lumber to keep coming in because housing prices would shoot up if it didn't. The United States



BC logging operations are ones that threaten to cripple the economy

is only 70-per-cent self-sufficient in lumber, and [without Canadian production] they would have to log another 30 per cent in very difficult areas. Prices would skyrocket."

But as the commerce department bureaucracy grinds toward a decision, the writing Canadian firms are hoping that signs of revival in the U.S. housing industry—so many as \$3 million housing starts are expected this year—will provide enough of a market for everyone. If it does not and the Americans impose a duty on Canadian lumber for the first time, the cliff of that decision would be felt by Canadian pulp and paper exporters. They, too, would be vulnerable to the same change, that their products are subsidized by low government fees

on Crown-owned trees. "It could not be a precedent for duties on resource-based commodities," said a B.C. government economist. "Billion of dollars worth of pulp and newspaper exports, most of them from Ontario and Quebec, could be affected."

Waterland predicts even more dire consequences from a 60-per-cent tariff. "Dropping an economic bombshell of that nature on the world's leading exporter of forest products could well set off a series of protectionist moves throughout the trading nations of the world to such an extent that the pattern of trade will be seriously distorted and perhaps irreversibly damaged," he said.

Others and the provinces have coped—so far—so prevent just such a development. But some provincial officials are worried that the federal government may decide voluntarily to limit lumber exports to the United States, a

measure that would remove the need for the tariff, but at the same time effectively transfer control over forestry production from the provinces to Ottawa. Waterland and the estimated 200 Canadian forest products firms, which have retained the prestigious Washington law firm of Arnold and Porter to represent them in hearings, prefer instead to remember 1963 and the last great battle over Canadian lumber exports. The Canadians won that battle when then President Lyndon B. Johnson vetoed a bill that would have required all imported lumber to be marked with country of origin. They are hoping history will somehow repeat itself.

—NATHAN GALT in Vancouver

## Checking in at Lloyd's

**T**hroughout its 200-year history, Lloyd's of London, the world's premier insurance market, has taken pride in the fact that it has been self-regulating. But last week, in the wake of a wave of unprecedented scandals, a leak, bespectacled accountant, known around the City of London as "an important radical with a lot of clout," moved in to shake up Lloyd's. Aspinall, a 35-year-old man with a friendly smile, was named as the institution's first chief executive, with a mandate to investigate the market's operations as a result of a controversy resulting around the activities of some of Lloyd's chief underwriters. And, in a probable election year, Margaret Thatcher's determinedly free-enterprise government did not want to be forced to set up a royal commission into the swirling bogholes in Lloyd's system of self-regulation. Indeed, Lloyd's ranks as the City of London's biggest contributor to the rash bank of "variable" earnings earned abroad by British financial, banking and insurance services, and its prominence has always depended on a worldwide reputation for prudence.

Dunoon, a senior partner in the accounting firm of Arthur Andersen and chairman of the Accounting Standards Committee, was named by the B.S. by the retiring governor of the Bank of England, Gordon Richardson (nephew in the new year as Lord Richardson). "We want you for the job," said Richardson bluntly. Dunoon finally accepted last 4—at a salary of £250,000.

One of his major tasks will be to toughen the requirements for disclosure of underwriters' interests, the factor at the heart of the major scandal that swept Lloyd's last autumn. That year concerned allegations that some \$50 million in insurance funds had been misappropriated from the Alexander Henderson Group, a leading British insurance firm active in Lloyd's market. Four Hewson brothers and a high-flying Lloyd's underwriter, Ian Pogo, known as "Goldfinger" for his wild claims in the market, were accused of channeling premiums into insurance companies outside Britain that they secretly controlled. As a result, Pogo was charged suspended from further dealings in Lloyd's.

"When we introduced in the market by the requirement Lloyd's brokers who they should be underwriters for the best deal. Some other, when they had the financial risk, we made up of your contribution of a total about 'honest'—usually and often, almost individual risk in choosing, adding, losing Pogo and shipping against the Bank of England—so, in order to prevent, most other top and stable in total £100,000.



Dunoon: a radical with clout moves in

Pogo was suspended by Lloyd's chairman, Sir Peter Green, after he was conclusively rebuffed by Alexander Henderson's U.S. parent, Alexander & Alexander Services Inc. of New York, that it was planning legal action against Pogo, former Hewson chairman Kenneth Grev and three Hewson directors. All five defended the action, but a scandal Pogo went further and launched a counter-suit against Lloyd's, declaring it as typically, far beyond his control. If, in any case, he would be supported by his wife, also a member of Lloyd's, who remains "able to keep me in the style to which I am accustomed."

Last week Goldfinger appeared to have struck pay dirt again. His shiny high-court hearing ended in a ruling by Justice Sir Peter O'Connor that Lloyd's, while no doubt acting in good faith, has no power to suspend Pogo from

his underwriting activities. While not automatically entitled to resume underwriting—Lloyd's council meets this week to discuss its next move after studying the legal transcripts—Pogo's position seemed "very, very pleasant" with the underwriters.

He still has to succumb to the trio of investigations going on into the Hewson's three by the Division, the trade department and the City of London police. As Lloyd's spokesman said, that its own investigation would be a "very thorough job" and declined to speculate how long it would take. He said that Dunoon, as a former leader of absent from his accounting firm, would be "running the affairs of Lloyd's in a very thorough and dynamic way."

All expectations are that Dunoon, a hard-nosed graduate of the London School of Economics and the University of Michigan, will leave no stone unturned in the search for further potential. "The first task must be disclosure," Dunoon said on his appointment. "Only then can one decide which categories of interest should be banned." He has already drawn up a plan for reform, largely approved last week by the council, which centres on two principal measures. Those are the public register of underwriters' interests and the mandatory approval by Lloyd's of reinsurance arrangements made by the market operators in the affairs under investigation, those involve offshore operations in such places as the Cayman Islands and Liechtenstein, where the passage of funds is not easily traced.

As well, Lloyd's 430 underwriters would also be required to disclose any shareholdings in other insurance companies, including those offshore, and any financial interests in insurance and reinsurance concerns.

At stake is a priceless reputation built up over the years since Lloyd's emerged from a 17th-century gathering of brokers in 17th-century London to take an essential position in the international insurance market. In 1979, the first year for which figures are available, Lloyd's received \$5.5 billion in premiums—some—half of it from North America—and after payment of claims turned in a profit of \$200 million. With such sums in the balance, Dunoon has his priorities clear. "My most important mission," he said last week, "is to get the market to restore national and international confidence in Lloyd's." —CHRIS KENNEDY in London.

Pogo: under investigation



## Big Oil extends its reach

During the past 15 months the federal government's case against alleged price fixing by the oil industry has often seemed thin. In both major companies have evaded their way through a tattered web of evidence that seldom appeared strong enough to sustain Ottawa's allegations that the petroleum firms inflated consumers of some \$10 million between 1958 and 1972. All too frequently, government lawyer Gordon Kaiter has appeared baffled and embarrassed. Then last week evidence was submitted concerning Imperial Oil's warm relationship with a so-called "independent" chain of discount stations, and it finally looked as though Ottawa could justify the millions of dollars it has spent researching and prosecuting this case. And, while Imperial's actions were not illegal, they did indicate that the Big Oil is indeed trying to dilute the network dealers and maximize its profits at the pump.

The turning point came when Jack Robillard, chairman of a Brentford, Ont.-based chain of 42 gasoline stations called Roy's International Inc., testified before the Restrictive Trade Practices Commission (RTPC). Robillard told the commission that he considered himself an independent dealer. But the government produced documents demonstrating that since 1977 Imperial Oil secretly determined the private policies of Roy's stations and had helped finance Robillard's 1977 takeover of Roy's with a \$300,000 interest-free mortgage. Robillard did not even bid his bid to the machine he jumped. Instead, he took an eight-cent-per-gallon commission from Imperial and in his contract with Canada's largest oil company was listed as an "agent of Imperial Oil."

There is no suggestion that such covert arrangements break the law. "The question is whether it should be illegal," says James Cosens, executive director of the Canadian Petroleum Industry Association. But it is conceivable that Imperial could use Roy's to "discipline" other independent dealers attempting to use discount pricing to widen the share of the market. If Imperial Oil and its network deal to control the discount stations, it would have the opportunity to charge of predatory pricing. But as competition-proof agents of Impe-

rial, the ostensibly independent Roy's could force competitors' prices down with its policy of being the second station in the market area to drop its prices and the last station to raise them. As Cosens says, "They [Roy's] have no bottom line."

The current anticompetitive law makes those practices lawful. The new and so far untested revisions to competition policy, however, would make any such "abuses of dominant position" subject to an RTPC case and do not order a trial, there remain consider-



Roy's station in Toronto, not as independent

because few are prepared to enforce price wars when they can sleep soundly with the knowledge that the next day's earnings will come as straight commissions from Petro-Canada in seeking such arrangements, as well as possible "price-fixing" programs, in which it, too, enjoys its independence. That runs counter to recommendations made by the former director of competitive policy, Robert Bertrand, that such major oil companies as Imperial, Gulf and Shell be forced to prevent enough of their retail outlets so that half the gas stations in Canada would be independently operated. The current figure is about 39 per cent. Only that way, Bertrand suggested, could the public be protected from the possibility of inflated pricing arrangements among the majors.

As far as Robillard was concerned, he could raise and lower his price independently of Imperial—he simply had to report his price changes daily. And should his station's prices fall below the established floor price, he had to telephone the changes to Imperial immediately.

Already this year gasoline prices have swept the country in a station battle for a share of the shrinking market. Gasoline has been selling at below the wholesale price in Hamilton and Toronto, and in Quebec City. Virtually no independent dealer can afford to sustain the kind of losses incurred in Brentford, where prices fell to 39.9 cents a litre, or seven cents below the Ontario wholesale price. For an average-size station pumping four million litres a year, that amounts to weekly losses of \$5,400. "This is a light over someone's head of money," Cosens says, "and that money goes to either the majors, the independents or the consumer."

With the commission about a year away from making its report and competitive policy still on the back burner, Cosens believes the independent operators may soon be eliminated from that equation. If successful discount sellers disappear, it would leave only the majors to keep a competitive floor on the kind of dual Imperial Oil struck with Roy's, there is scant evidence that competition is what the majors want. An RTPC Commissioner R.S. MacKinnon noted last week, if anyone knows Roy's will match the lowest price, regardless of the cent, "they would try [prices] lower down." Indeed, in a well-defined market, they probably would not.

—IAN ANDERSON in Ottawa

## BUSINESS WATCH

# A New Deal for Canada

By Peter C. Newman

As a Finance Minister Marc Lalonde began a cross-country campaign last week in preparation for drafting his March budget, he found himself confronted by a baffling economic paradox: most of the elements required for an economic recovery are in place—but nothing much is happening.

That's why his first budget has to be emergency in both tone and content, providing a badly needed psychological boost to a fragile economy still hanging in the ropes. The trick is to create such a bullish climate without further ballooning the federal budget deficit, already swollen past acceptably safe levels.

Lalonde's response, expected to form the core of his budget, includes the establishment of a new agency to be called the Canada Capital Corp., which will pump-risk capital into domestic industries, and the launching of an imaginative new Mortgage Renewal Protection Plan. Legislation for either scheme has been drafted, but the ideas are not nearly battle-tested as yet. Instead, they are being vetted by private sector consultants for overall viability, cost and legal loopholes.

The Canada Capital Corp. would act as a government-operated merchant bank, loosely modelled on two international precedents. One of these, the Reconstruction Finance Corp., used by Franklin D. Roosevelt in the 1930s to provide emergency financing for companies unable to get private loans without prohibitive expenses, was an economic engine that helped drive the United States out of the Great Depression. It pumped \$13 billion into the U.S. economy before it was wound down in 1963. Probably a closer contemporary model is the American Industry Development Corp., which taps the international money market on behalf of that country's rather narrow industrial base to provide development funds without watering down ownership positions.

The detail remains to be worked out, but at the moment the Canada Capital Corp. is being planned as a renewed effort, not designed to create any revenues for the federal government or to inject Ottawa any further into the private equity sector. In effect, it would allow companies to obtain temporary loans without relinquishing their ownership to the bank—a real estate reform, and participating companies in key sectors of the

economy would have to repay their loans through a surpluses that would include interest, but only when they can afford to do so.

The second planned budget initiative would have a much more direct impact on consumers, granting for the first time effective protection against higher mortgage interest rates. The idea is to structure a new, limited, economic strategy, which focuses homeowners and potential builders of houses to borrow at current mortgage rates for one or two years with no knowledge or guarantee about the levels they will be charged for renewals, there would be a guarantee of an increase above a certain level. The premium charged would be from 70 per cent to 1.5 per cent of the prepayment in the terms of the mortgage. It's a sure-way mortgage plan designed to provide Canadians with a safety net for the time being against in interest rates. Ottawa would pick up the costs of administration, but the actual financing would be done by buying off risks on the financial futures market.

At the moment, only the Chicago market provides the liquidity for nationalized trade in this volatile area, but the Toronto Stock Exchange has launched a crash program to get into mortgage-note futures by midyear. A Toronto Stock Exchange committee, headed by Howard McGee of McLeod Young Weir Ltd., has pronounced the idea practical and is only seeking further refinements before the exchange's board of governors makes such options trades available.

"Mortgage insurance," says John Sandhu, a vice-president of the Housing and Urban Development Association of Canada, "would be a significant stabilizing factor on the housing market because we are losing too many sales now due to the floating uncertainty. In the United States you can still buy a 15-year mortgage and get some protection, but here most people are in a one- or two-year plan. This new scheme has the potential of at least doubling the length of the existing term, taking away a major negative currently plaguing the housing industry."

In the end, nothing will really move the Canadian economy off its dead-end position except the impact of a major recovery in the United States. But, until that magic moment is upon us, the Canada Capital Corp. and the Mortgage Renewal Protection Plan are two solid, solid anchors in an increasingly stormy sea.



Marc Lalonde: the proposals are practical



fore it is put forward as a possible budget item, the plan's feasibility is being tested by Michael Stokings, an accountant with Arthur Andersen & Co., a firm of Toronto management consultants. This is in sharp contrast to Alan Macfarlane's methodology: he had his ideas appraised for their feasibility only after his budgets were tabled.

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# A decisive game within the Games

By Suzanne Zwargan

**B**y the end of last week, installers still had arrived with the essential telephone cord that has always been a vital accessory for Calgary officials. Frank King, But if the new chief executive officer of the XV Olympic Winter Games Organizing Committee was still waiting to a cord that did not allow for his usual practice of pacing while talking, the core and future success of Calgary's bid to host the 1988 Olympics is back at the switchboard. The 49-year-old King says his decision earlier this month to top out on the Olympic planning team caused hardly a ripple in the Games headquarters. "There really isn't any new faces around, just not as few," he says.

The missing fax belongs to David Leighton, 54, an internationally renowned management expert who was named last March as president and chief executive officer of the Games committee. The former president of the Bank of Canada stepped from an \$180,000-a-year job on Jan. 7 after a six-hour closed-door special meeting of the Olympic committee's board of directors, headed by King. As lawyers for both sides listened, Leighton tried, but failed, to convince the board that his way of organizing the team was the best Leighton committed to maintain that he will be proven right in 1988 when the Games are staged. Meanwhile, King and a new five-member, mostly business executive committee have set to work to give the Games plan a "turn-up," a reviving effort to speed progress and revitalize the community. "To be fair to Dr. Leighton, I don't think the Games ever fell off track," says King, "but perhaps they slipped over a little bit."

King, a former vice-president of Turbo Resources Ltd., last summer brought the company's financial division and will continue to run that 25-employee company as the changes while drawing attention to the Olympics, although he had said that he was hoping to relax for awhile. But a more prophetic comment may have been the explanation he once gave for his leap from salaried employee to entrepreneur: "I realized it would be either do it or die (if I didn't own part of it)." Board chairman King and the directors who were part of the effort to win the Games for Calgary seem to have allowed Leighton the length of an extending telephone cord before they reeled him back in and

took control again of what Leighton, in the wake of his resignation, called "their toy".

The Calgary Olympic Development Committee (COCOA) was a 24-year-old organization that had failed in three attempts to host the Games. It was revived by the Calgary Booster Club in the fall of 1975, and King and Robert Miron, now head of one of the new planning committees, spent most of the next two years organizing the bid. Once won, planning was handed over to the tri-



Leighton's tenure as the Games offered course a little bit.

gual Leighton, who holds an MBA and doctorate from Harvard and was considered to have all the qualifications necessary to co-ordinate the spending of the \$415 million that the Games will cost.

In retrospect, however, his reputation as well organized, tireless and open-minded... to the point of fanaticism... moved if for the all-in-together informality of the COCOA group. Leighton has been described by a friend as "a very colorful-speaking, outgoing," and has attempts to take control of planning and shift the emphasis from a still-job-

last holding group to a highly professional organization absorbed some of the 11-man board is clearly in last position. The first public hint of trouble came in December, when Calgary Mayor Ralph Klein, who is also in the Calgary board of directors, criticized the committee's secrecy and "private club mentality," and as its inability to get the federal government's support on promises of funding. He also suggested that the decision to scale-down the size of Olympic areas from the originally chosen Mount Sparrowhawk to the less costly, more accessible Mount Allan was badly headed. "No one must make these things happen," says King of the federal and provincial government's foot-dragging on their commitments.

Still, King suggests that Leighton did more foot-dragging of his own in carrying out board directives. "The policies and direction of the board and its solutions to problems needed to be accepted and understood by Dr. Leighton. We weren't confident that would happen," declares King. He adds that no government harm has been done, although a final venue selection planned for this month has been postponed. King says the new team's first priority is to get more speed and direction in planning. And he agrees with Klein that the underlying spirit that pulled the committee together during the bid has cooled and must be revived. Since the case, King reports that the Olympic committee board has been flooded with calls from would-be volunteers—"a tremendous source of energy, and it's up to us to use it to a reasonable extent," he says.

By the end of the month King expects that his new committee will be well on the way to sorting out the Mount Sparrowhawk-Mount Allan controversy and another debate over moving the Nordic facilities from Bragg Creek to a Calgary-area site. The federal government has finally appointed the arbitrator, and the non-stop of delays—5,000 will be needed in 1985—has begun. And, if Leighton admits disappointment that he could not convince the board that his way was the best one, he is not entirely set in the odd. In view of his reputation for being a man of his word, he will act as a marketing consultant for the organizing committee. Neither does he hold a grade. "I wish them well because the Games are bigger than both of us." And looking back, he is the memory of the Montreal Olympic Games of 1976. ☐

# Working on their handicaps

By Trent Frayne

**W**hat Canada's repeated failures in Olympic sports have in common is that they are not in the class (if you get highly paid for hardly working, why work hard?)

It has become the fashion for National Hockey League trainers, many of them, to tell aside the Soviet games to managers. If this is so, it's really doesn't matter that the Reds kept tarring on the red lights back of 1976, then their success should be abandoned. As Ted Rown's answer to say, "If winning doesn't matter, why do they keep losing?"

In no sense against the Soviets since the original one in 1972, success was combinations have managed to lose. It's not now, one, two, three, four, five. Yes, so that's only on the side of the Atlantic, that isn't covering those annual portraits at the world's world championships each April in Europe.

There are always rationalizations. It's the wrong time of the year; only the six, seven, eight, nine, ten, eleven, twelve, thirteen, with them it's a crumpled, then not enough time to prepare, and the that.

But now, in default moments upon defeat, the chore is to explain the circumstances of playing the winning Russians, of the red, injury, injury, players, and (however) the loss of face. That's the sweetest one, this growing loss of face.

It was Ed Rader, the Philadelphia owner, who brought it up. "The Flyers will never participate in a series like this again," the man said after the night's hammer was taken by 5-4. "Getting beaten by the Soviets creates a tremendous public relations problem for the league and the individual teams."

It was as little as looking to the bad guys every couple of winters makes it slightly difficult for some owners to justify the over-throwing price of money. Why should a fan pay down \$20 or \$40 a year all through the long, cold winter to watch what the Soviets keep proving to be inferior big-league hockey?

Other owners are now avoiding the Soviet invasion, perhaps adopting the philosophy of the kindly old owner of the Boston Maple Leafs, in the line. In a story I mentioned before, he responded in a jolly fashion to a question in the late fall of 1973 when I asked him why he hadn't looked either of two scoring Soviet teams for Toronto to face. "Are you kidding?" the great man asked.

led. "Why should I let those bastards show us up?"

Nothing wrong with that. At least he's being honest (as was Beal in Philadelphia). Players such as Bobby Clarke, the Flyers captain, and Darryl Sittler, the longtime Toronto captain and now a Flyers leader, merely rationalize. "Right now, the NHL wants more to become we're losing it to such division," Sittler told me. "Here, we want to beat the Russians, but it isn't life and death for them it is. They've proved to us."

Are the Soviets really superior? Is their record of six straight series wins a real reflection on the two countries' hockey skills?

"It is and it isn't," unless a man who comes close to being an unbiased observer. "They are and they aren't." The equivalent writer is Bob Johnson, the Edmonton and optimistic and non-stop-talking coach of the Calgary Flames, a guy who spent 15 years coaching the University of Wisconsin hockey team and who has handled U.S. national and Olympic teams. But he really isn't wifing. Unwinded in the emotional turmoil of Canada Russia, he says that, because of the way the Soviets go about things, "you've got to give 'em credit."

But the real key is Soviet dominance in their extraordinary physical condition. Playing six NHL teams in nine nights, jumping time over four times, always on the road, they were going far stronger in the third period of their sixth game, against Philadelphia, than they were in the first period of their first game, against Edmonton.

Johnson looked back to February, 1977, when the Soviet national team played an NHL exhibition tournament three times in New York for American fans. The next, was the game 4-3, and were stoned 5-4 in the second, and then were outscored 5-4 in the wrap-up. "Did you notice," says Calgary's 50-year-old coach coach, "that the next did not score a goal after halfway through the second game?"

For this kind of shape, summer training is enormously important. "It's hard to maintain conditioning over the long season. Endurance has to be built from a very broad base, running or swimming or riding a bike for at least 30 minutes every day, year-round. What'll do that? Nobody. That's rather play golf." Well, why not? If you get highly paid for hardly working, why work? Right, Igor?



Look, let 'em play America in our game of football and they'd be on the same thing."

They work in dedication and application. They play at their game, say, game, 11 months of the year. This shouldn't provide North Americans with an excuse for the losses because, as Johnson says, "we can win it for 11 months, too."

The difference is we don't—and apparently won't. A few years ago, when Ted Lindsay became general manager of the Detroit Red Wings, he was heading into A. Engstrom, leader of the NHL Players' Association, to see if he wanted to assemble his players in a pre-training camp to hone fundamental skills. Engstrom said no. It's part of the players' union agreement that no camp can open earlier than 23 days before the first league game.

"What sense does that make?" asks Johnson. "It leaves no time to learn. As soon as the training opens, the teams launch into 30 exhibition games." And, once the season starts, teams make the excuse that they have no time to learn the Soviets because of the grind of 80 games in three time zones, living out of suitcases—no time, as the Soviets have, to work on the skills of passing and shooting and team play.

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Waiting for snow at Mont St. Anne (left). Thick powder on Whistler economic decline despite good weather conditions

## RECREATION

# The ski industry hits a downhill slide

By Brian D. Johnston

**A**n eerie winter which has buried Avalonia in snow and delirium. Whistler has not been kind to the downhill ski industry in eastern North America. Determined skiers have been stepping off chair lifts only to look down on slopes of artificial snow strewn with rocks, grass and ice. After many ski areas in Quebec, Ontario and Vermont were forced to close during the worst and foggiest Christmas week—only they have been—hopes for a quick recovery were dashed by more rain and cold weather in the first two weeks of January. Good conditions and ambitious ski resort developments have kept the West busy, but poor snow conditions and cautious consumer spending have conspired to produce the East's most disastrous ski season in recent memory.

The weather's most critical victim has been Quebec, which depends heavily on the winter tourist dollar. The province's 40 ski areas report that a total of \$2.1 million—nearly a third of the annual revenue from 10 ski tickets—has already melted away, and millions more have been lost by hotels and restaurants that thrive on the province's ski business. As a result, some 18,000 seasonal employees are out of work. The

shrimp is so bad that Luc Larue, president of Quebec's association of ski resort owners (AQSQ), last week asked the province for aid—but not in a direct lawsuit. Instead, he wants Hydro-Quebec to help lower the costs of operating ski towns by offering special industrial rates for electricity.

The sense of crisis is less acute in Ontario, where skiers are more used to marginal conditions and where sking

**Despite several centimetres of white relief on the weekend, the eastern ski industry is in deep trouble**

thrives more as a domestic convenience than a tourist attraction. Nevertheless, over the vital Christmas week many Ontario ski resorts lost about 20 per cent of their annual business.

In contrast, Western Canada, lying under a thick blanket of snow, is eager to take up the slack. Inor Patrick, general manager of Canadian Pacific's Bear Springs Hotel and Chateau Lake Louise, this week plans to ask CP Air officials to create special discount

flights from Toronto, Montreal and Ottawa to siphon off the displaced eastern market. (Alberta and BC ski packages are usually bought by Americans seeking low-cost alternatives to the luxury Colorado resorts of Aspen and Vail.)

Meanwhile, the East has clung to survival with a tenuous combination of hope and man-made snow. Areas with snow-making machines have managed to stay open by keeping a few runs covered, but unoccupied areas, such as the popular government-owned Mont St. Anne, near Quebec City, have been closed for most of the winter. "It's time the government stopped helping us keep the bush and installed snow guns," says André Berthiaume, commercial director of the area's main hotel, the Chateau Mont St. Anne. The Chateau was down to a meagre five-per-cent occupancy last week, and some smaller hotels in the region have closed until conditions improve. Berthiaume says the situation has left about 900 people out of work in the St. Anne area alone.

Yet even the privately owned Mount Tremblant resort in the Laurentians, with its \$2.5-million snow-making capability, is suffering from the climate—both physical and psychological. "We have lost about \$60,000," Tremblant property manager Patrick Lévesque

said early last week as snow piled down outside his office. "And no one can handle less than that. We have a considerable base [of artificial snow]," he added, "and the risk doesn't hurt a lot much, but it discourages people from skiing."

Although man-made snow provides insurance against climatic chaos, it has its drawbacks. "There's a lot of psychology in skiing," says Scott Van Dusen, marketing director at Stone, Van Dusen, if people don't see snow in their dreamery, they won't leave home." Moreover, the artificial snow, made by freezing a spray of water and compressed air from high-pressure hoses, cannot be made until temperatures fall below freezing. And the hard, granular texture is easily tumbled to ice by the friction of ski traffic.

"We did it [temperature] real," said one young skier riding the chair lift at Blue Mountain resort on Georgian Bay in Collingwood, Ont., last week. "It's dangerous," protested 18-year-old Dina Agneta of Toronto, who was spending the last day of her ski season's glory days. "The artificial stuff isn't fluffy, so when you fall, it hurts."

With 40 km of pipe in its computerized snow system, Blue Mountain, Ontario's largest ski complex, 180 km north of Toronto, had turned contingency planning into a life art. This year it has succeeded again alternative entertainment for people who had already booked a ski vacation in the area. Over Christmas, ski instructors were used to teach tennis and canoeing and skiing.

Even with a solid foundation of snow, surviving in a ski development can be a precarious venture. An attempt to build Canada's answer to Aspen—a hot-tub and condo paradise at Whistler Mountain, 360 km north of Vancouver—has already created financial havoc. With the project partially bank, Whistler's land development company was swamped in a \$27-million avalanche of debt. Finally, early this month, the BC government took over the company for the sake of \$1.1 million of revenue, the notion of a world-class resort.

But even as Whistler struggled to regain its financial balance, Canadian Pacific briefly suspended 415 flights worth of round-trip tickets to Alberta's Chateau Lake Louise and opened the hotel for winter business for the first time last month. Hundreds of guests from the U.S. travel industry were on hand for the gala opening, which featured a January party with jugglers and champagne. "We're trying to sell, to let the 'book' sales," said CP's Patrick. "They come here and see everyone wearing cowboy boots and ten-gallon hats and feel right at home." This winter they also have seen a solid base of western snow on nearby slopes. ☐

## SPACE

# Russian satellite roulette

**F**ive years after the Soviet satellite Cosmos 954 crashed over a 2,000-km-long stretch of the Northwest Territories from Great Slave Lake east to close to Hudson Bay, Canadians found themselves waiting (briefly) but not for another Soviet satellite shower. Cosmos 1402, a nuclear-powered ocean reconnaissance and surveillance satellite believed to be relatively unharmed in its predecessor, lurched out of control and into a low elliptical orbit above the Earth at the end of December.



Remnant of the 1978 crash: a \$3-million puzzle

Components of the eight-shaped crash plummeted about 1.5 km a day and by week's end were whirling only about 200 km above the Earth. Though the space satellite is only one of at least 500 pieces of space junk that re-enter the atmosphere in the Earth's atmosphere every year, the threat of radioactive waste remains from Cosmos 1402's nuclear power unit has made the incident a game of planetary Russian roulette.

Federal officials are not taking the current threat casually. On Jan. 7, two days after the United States announced that Cosmos 1402 was a trouble, a Canadian interdepartmental committee was hastily assembled to monitor the satellite's uncontrolled deterioration of orbit. If it crashes anywhere in Canada, the group's contingency plans call for a SWAT-like team of radiation experts, medical specialists and assistants to swoop in and clear up any radioactively contaminated areas.

In turn, though satellite control

decries, reports, Soviet authorities insist there is no cause for alarm. They claim that the satellite re-entered "on schedule" on Dec. 28, breaking into three sections on reentry. They also state that the nuclear will disintegrate harmlessly when—or before—it reaches the Earth's atmosphere. But May Douglas, spokesman for the U.S. defense department, says that the Soviets have been unable to use booster rockets to bury the reactor in deep space as planned. The latest estimate is that it will re-enter on Jan. 16, plus or minus 54 hours. The Soviets, however, say it will not come down until mid-February.

When Cosmos 954 crashed, the major problem, from a Canadian government perspective, was political because the Soviet government was reluctant to admit responsibility for the crash or that a crash had even occurred. External affairs department officials now say that the \$3-million puzzle in itself is responsible for the crash or that a crash had even occurred. External affairs department officials now say that the \$3-million puzzle in itself is responsible for the crash or that a crash had even occurred.

From a public point of view, the major concern, now as then, is the fear of widespread radioactive contamination. Although Soviet officials have dismissed nothing, most experts believe that Cosmos 1402's power source is similar to the earlier one—74 kg of uranium. Still, despite the fact that the site lies over parts of Canada eight times every day, Canadian scientists believe that the chances of the runaway satellite striking the country are only about three in 100. The likelihood that it will hit a populated area is almost immeasurably small. Nevertheless, the risks may increase. In a reversal of previous policy, the United States is considering a nuclear-powered spacecraft operating on at least 100 miles the only output of the Soviet satellites, although in much higher orbits. And, despite U.S. safety measures, nuclear may one day pose dangers and run as a source of cross-border irritation.

—VICTOR PARRY IS Toronto





# Legal aid squeeze for the nouveau poor

By Fred Blazer

When Leslie Stevenson was living in Ontario three years ago, he was able to obtain legal aid for a trial, because he was poor and representing welfare recipients. But now, although he is still on welfare, he has been left stranded by the B.C. legal aid system. According to new self-righting criteria established by the government of British Columbia, a charge of numerous possession against Stevenson in this case is not serious enough to warrant defraying by the legal aid lawyers because it is not likely to draw a jail sentence.



Stevenson, 24, who has a criminal record and fears he may go to jail, has been told by the judge that he needs a lawyer before the case can be tried. "Without a lawyer, I can't even walk into the courtroom," he says.

Stevenson is one of the casualties of a national crisis in legal aid. As he reassesses forces more Canadians now welfare rolls, the budgets for legal assistance have also lengthened, straining already tight provincial budgets and reducing governments' efforts to reduce public spending. In the late 1980s and early 1990s all 10 provinces enthusiastically launched legal aid programs, with the goal of providing free or low-cost legal representation to support access to afford justice. But now funds are beginning to run short in most provinces. The number of people seeking assistance rose by about 30 per cent last year in both criminal and civil law areas, and especially in wrongful dismissal and debt-related cases. Like Stevenson, many seeking legal help for anything from a child custody battle to a home foreclosure are now unable to get it.

British Columbia, for one, recently surrendered to the financial squeeze by drastically reducing its Legal Services Society staff and toughening client eligibility requirements. As a result, there are "6,000 people in British Columbia who need legal aid and cannot get it," says Vancouver lawyer Craig Paterson.

cases often uncontested cost the Ontario Legal Aid Plan \$13 million last year. But many legal aid officials and private practitioners say reductions in legal aid funding deny poor people the fundamental right to equal justice.

The nouveau poor—formerly middle-class Canadians now victimized by the recession—are the main reason for the swelling numbers of prospective legal aid clients. "We are seeing people who, until recently, were working as teachers, engineers and bookkeepers," says Greta Grant, an Ontario Legal Aid Plan area director based in London, Ont. "Now, suddenly they cannot afford to pay for legal services."

The most severe cutbacks in Canadian legal aid services were made last October in British Columbia, which faces an expected \$1.4-million legal aid deficit for 1983-84. Twenty of the province's legal aid staff members were released (another 15 will go in April), a \$300,000 fee was imposed, and payments made to private lawyers taking legal aid cases were rolled back \$2 per cent. In all cases the society now provides legal representation only in matrimonial disputes in which there is a danger of violence or where child custody is an issue. It will assume criminal cases, says B.C. Attorney General Allan Rock, only when there is "a probability of imprisonment," even though the province's legal aid legislation calls for representation when there is any chance that the accused could be imprisoned.

Last month hundreds of lawyers from the B.C. Law Union and the B.C. branch of the Canadian Bar Association petitioned the government to lift its restrictions on the grounds that legal aid is an essential service. "The cutbacks are an attack on the segment of the bar that works for the poor, the criminal and the disadvantaged," declares Fairman. But B.C.'s Social Credit government says it is only being fiscally responsible. "This, discipline, restraint and efficiency must be accepted by all government services,"

William, studying law on weekend



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says Williams, who warns that further service cuts may be required to bring legal aid spending into line with the government's budget expectations.

Learning outcomes have predictably stirred public opposition. In Montreal last month, demonstrators gathered outside the Palais de Justice to protest a proposed user fee for legal aid clients. Quebec's Commission des Services Juridiques, the province's legal aid service, subsequently dropped the idea, but the Quebec cabinet announced earlier that for the second year in a row it would freeze income eligibility levels (starting at \$10 a week for single persons), above which applicants must generally have their own lawyers or represent themselves.

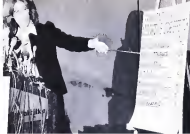
Only Alberta, Saskatchewan and Manitoba are maintaining past standards of legal aid delivery. Nova Scotia has moved to curtail the number of people receiving legal assistance by reducing the number of staff lawyers who traditionally handle legal aid work, while Newfoundland has terminated its legal aid duty counsel service.

A different form of attrition is being practiced in New Brunswick and Ontario. Both provinces allow private lawyers to accept as many legal aid clients as they want but the provinces charge a light fee for fees paid for legal aid. In a major authority move, New Brunswick will reduce legal fees this month for private lawyers on civil cases by as much as 40 per cent. Ontario legal aid fees have been frozen since April 1976 until a 10-per-cent increase is announced last month. And many Ontario practitioners say the payments often represent as little as one-third of what they would make acting for private clients, with the result that quality is sacrificed. "Lawyers aren't saints," says Toronto litigation lawyer Charles G. Lipson. "There comes a time when you will do less work on one person's case than on another's because you're not getting paid enough."

The debate over the merits of legal aid cutbacks will sharpen this month as several provincial governments prepare their 1983-84 budgets. Some lawyers say they will fight legal aid restrictions on the grounds that the right to equality before the courts is constitutionally protected. Legal aid supporters even suggest that the cutbacks now encourage the self-defending lawyer, who will inevitably produce poor legal outcomes.

But the ideal of justice for all may prove to be too expensive. There are too many repeat offenders and too many lawyers "dragging out trials with their tax-exempt fees," says Toronto Association of Crown Attorneys' lawyer. "Given the economic hard times, I don't think we have much choice."

With Dana Zarlow in Vancouver



Health network symposium. Ralife Cowan points out Depo-Provera side effects

## HEALTH

# Trials of a contraceptive

It wasn't too easy, a no-fuss contraceptive that lasts for three months, does not contain estrogen, and eliminates menstruation. Depo-Provera, made from the synthetic hormone progesterone and administered by injection, is being promoted by such health care organizations as the World Health Organization, World and International Planned Parenthood Federation as a safe and nearly foolproof contraceptive. In fact, during a five-day U.S. Food and Drug Administration (FDA) public inquiry last week, members of these groups were among the witnesses who testified on behalf of the Uggles Company of Kalamazoo, Mich., manufacturer of Depo-Provera. The company is trying to convince the U.S. regulatory body to approve the contraceptive.

Depo-Provera has long been authorized for the treatment of uterine cancer in the United States and Canada. The drug has also been used to halt the menstrual cycle of mentally handicapped women. Still, the FDA remains skeptical. The FDA has opposed human use of Depo-Provera for birth control purposes since Uggles first applied for certification in 1972, and its use is supported by the U.S. National Cancer Institute and Ralph Nader's Health Research Group, among others. At last week's inquiry they reiterated their main concerns about the drug as a laboratory tests conducted during the 27th two women developed breast cancer and two monkeys contracted osteoporosis after long-term use of Depo-Provera. For its part, Uggles says the stud-

ies produced results that do not apply to humans. Company spokesman Leigh Bailey says that, in numerous company and independent international studies as women during the past 20 years, there has not been one single related case of cancer. Indeed, more than 18 million women in 54 countries now use this birth control method.

But controversial reports on possible health risks have left a number of medical experts unconvinced. Dr. Robert Mowrer, an epidemiologist at the National Cancer Institute in Bethesda, Md., told the inquiry that "the existing epidemiologic studies of Depo-Provera are inadequate." Adding weight to that opinion are charges by the U.S. National Women's Health Network that the drug also causes bleeding and severe depression.

Tragical questions have also been raised by 1981 study of 530 mentally retarded women in Ontario institutions who were given the contraceptive. Dr. Donald Searles of the University of Western Ontario, who conducted the study, says he found three cases of breast cancer. "It was startling," he says, "especially since the women were 40 years and younger."

The FDA inquiry board's decision, which could take months, will undoubtedly be the bellwether. Until the controversy surrounding Depo-Provera is resolved, however, North American women will not likely be easily distracted by the convenience of the so-far birth control method.

—ANN KIRBY in Toronto



Jimmy G. Riccazzio: Six years old. Suffered from asthma. Home tide protection from the elements. Income little more than enough for food.

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How does Foster Parents Plan help the community? We endeavor to get community leaders to determine what their needs are before we establish a plan of action with them. The community must participate in this plan, and provide the labor while PLAN supplies the materials to meet their goals. Consumer cooperative stores are set up, youth and study centres established, dance, well and kitchen are built, poultry and pig-raising projects are begun and these are but a few examples.

# Midwinter influenza blues

By Ernest Hillen

**I**n midwinter, and, inevitably, people are blaming the flu for almost every pain, ache, sneeze, sniff, chill, cough and temperature elevation. Across the country there are high rates of absenteeism and overcrowded hospital emergency departments. Even though by now, with the flu season seemed to have subsided, already some influenza experts are worrying about what might happen next year or in 1995, when another major worldwide flu outbreak is expected.

It is in November and December. Says Dr. Donald Ketyll, chief of virology services with the province's health ministry: "We have an 'influenza watch' program involving the medical health offices and a group of 'sentinel' physicians who monitor patients in their practices. When they see diseases like influenza occurring, they submit specimens to our lab." He adds, however, that his staff was fairly sure, even before strong lab results, that they were dealing with the flu because of the classic way in which it appeared in the community. The illness has a short in-

fects that the high incidence in children is due to crowded classroom conditions and slightly personal hygiene habits.

By mid-January positive confirmations of genuine flu victims from across Canada numbered 224, compared to 214 by April, 1992, and 689 during the winter before. "The definition means, considering our population," says Acres. He points out, however, that physicians cannot do more for most patients than advise bed rest and plenty of fluids. When symptoms grow serious, doctors might prescribe antibiotics. As a result, it is seldom necessary to have a specimen cultured and positively identified as influenza. "The only thing new this year," says UOEH's Clayton, "is that the outbreaks of flu seem all to have happened at about the same time."

Although few flu cases are life-threatening, doctors urge the chronically ill, the elderly and those suffering from diseases that suppress the body's immunity systems to have yearly preventative flu vaccines. What Clayton fears, as do physicians in the United States, is that the A/Bangkok strain, which is always circulating, is due for one of its 10- to 15-year "shifts" into a more virulent form. "The one is would then be open to a mutant micro-organism that could sweep through the unprotected population. (The worst worldwide outbreak, or pandemic, of influenza, in 1918-19, killed 20 million people, about 50,000 of them in Canada.) I predict," says Clayton, "that this shift will happen in the next two or three years."

Although he stresses that a new shift would not produce anything approaching the severity of the 1918-19 pandemic, he admits that Canada and the United States are not prepared. He points to the latter numerous many people still carry of the disastrous 1918 flu immunization of 1976. Only a few cases of potentially deadly severe flu were reported that year, but 582 North Americans who had been vaccinated then came down with a paralytic disorder called the Guillain-Barre syndrome.

"When the time comes—and it will—we will have the proper vaccine," predicts Clayton. "But will anybody take it?" With Michael Clayton in *McNally-Pain* Museum in Montreal, Gordon Leung in Calgary and Grant Lockhart in Vancouver.



Clayton in Ottawa lab: "When the time comes we will have the vaccine, but will anybody take it?"

This year's version of the flu—mostly the A/Bangkok strain (the other two major strains are A/Brazilian and B/Singapore)—was first isolated in Alaska in late October and then in British Columbia in November. Its injury that travelled seaward. Health officials say it seems to have peaked during the Christmas holidays, though the traditional flu season can last well into April. Dr. Alan Clayton, head of the Laboratory Centre for Disease Control (LCDC) in Ottawa, estimates that by next week the worst will have passed.

British Columbia and Quebec appear to be the hardest-hit provinces. Dr. Timothy Johnston, director of epidemiology with the B.C. ministry of health, reports that absenteeism in West Coast schools reached 50 to 55 per-

cent during the period and causes high absenteeism rates. "When that happens at this time of the year," says Ketyll, "there is only one infectious disease to look for—influenza." In Montreal, Dr. Louis Gendry, head of St. Justine's Hospital's emergency medicine department, says "Normally, we see around 5,000 children in December. This year we treated about 8,000. About 75 per cent of them had flu symptoms." Complaints included headaches, muscle aches and aching cough, along with vomiting and diarrhea.

Flu-related illnesses tend to spread first among children, according to Dr. Stan Acres, chief of the communicable diseases division at LTC's Transmission Group when an infected person spreads the virus by coughing or sneezing. Acres

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## BOOKS

# Glimpses of warped lives



Bookie: moments of fantasy and tall tale

## THE BIRTH CONTROL KING OF THE BIRTH CONTROL KING

By Leon Roker  
(BCW Press, 128 pages, \$5.95)

A year after the publication of his much-praised *Bookie*, the prolific Victoria writer Leon Roker is back with a new collection of his freewheeling short fiction. In two long stories and six brief ones, set in a variety of North American locales, Roker again shows his knack for creating off-the-wall images and metaphors. With such descriptions as "the Tree of Knowledge heaved down, flung out gone far from too much wine and cheese," a reader wants to roll around his lines for a while and then remember them for mulling.

Because Roker's imagination is so complex, none of the stories is exactly easy. Only a few could be considered realistic, but just barely. One of the long ones, *King Me No Love Song* (FT 35), has no proper title, the saga of a teenage, southern California "jaguar lover," and his wife, "little" Judy, comes close, as do two or three of Roker's shorter efforts, but even these break into moments of fantasy and tall tale. They are better read as fables, glimpses into the

strobe-lit interiors of the mind. The title story is a challenging parable of senescence and individual devotion, with a hero who is having a love affair with his wall calendar. The shortest work, barely seven pages long, is a delicately sour, unsettling echo of *The Man Who Came to Dinner*.

The morning message in these stories tells the reader to celebrate spirit and honor the joys of resting and mulling over far too late try. The point is not a matter of imagination, it is explicit and sharp. The title story insists that "every encounter, including those only imagined, is an affair of the soul." Brian Bennett, in a reviewer's dream, of his death by himself, "made one last effort to stand—one last claim that his life was not yet over." And the final story—of a woman far into everyday madness—ends simply, "Thank this matter though. Thank this matter now." None of Roker's characters is lost to give up the fight. As the mad woman says, "Life calls!"

The *Birth Control King of the Birth Control King* may appeal uneven. Some of the poems may seem to be only studies for future works to come. But even the shortest stories establish a mood and cut out a clear-eyed slice of poignant feelings. They reach for an effect and explore it. And they reveal people—warped, splintered, twisted around the edges—men and women trying to hold off despair and disintegration. These are memorable people, all of them.

—DOUGLAS BELL

## MACLEAN'S BEST-SELLER LIST

### Fiction

- 1 *2006: Deception* Tom Clavin (4)
- 2 *Spain* Morrison (1)
- 3 *Master of the House* John Updike (2)
- 4 *Different Seasons* King (6)
- 5 *The Painted House* Lindholm (1)
- 6 *William's Daughter* Dennis (2)
- 7 *The Music of Jupiter* Moore (7)
- 8 *The Prophet* Boudreau (1)
- 9 *Facelift's* Lyle, Anne (6)
- 10 *The Valley of Bones* Anst (6)

### Nonfiction

- 1 *Grin: An Intimate Portrait of the Liberal Party* John G. Thompson (1)
- 2 *The Establishment: What a Portrait of Power* Morrison (6)
- 3 *Why We All Like Canadians* Dennis (2)
- 4 *Maler in Wonderland* Paterson (1)
- 5 *Reverend and Bel in the 90s* Tedlow and Young (1)
- 6 *Town of Gold, Foot of Clay* Stewart (1)
- 7 *Graves* Clavin (7)
- 8 *For Justice's Sake* Boudreau (1)
- 9 *New in the Map* Allen and Trapp (6)
- 10 *Kingdom's Dark* Carter (6)
- 11 *Prisoners of War* (1)



Outlets and Wins: what is valuable about rocks and what is not

## FILMS

# A good place to come from

## INDEPENDENCE DAY

Directed by Robert Mandel

**I**ndependence Day, which arrives unheralded, has such a casually original tone that for a while the movie actually seems tentative and unformed. The writer, Alice Hoffman, cuts a generous slice of life from a small town in Texas called, with some irony, Newbury. Her method is much like a short-story writer's: allusions but trenchant, quiet but articulate. The characters seem slightly strange, but that's only because they are fully realized from the outset, both by Hoffman's script and by the actors. And each has an idiosyncratic, independent personality that comes from years of living in a small town.

Mary Ann Taylor, played by the underrated and understated Kathleen Quinlan, is an aspiring photographer who wants to escape Newbury for school in California. Desperate to land a sophisticated life, she wears a beard and smokes cigarettes. But she also good-naturedly works her skill in her father's diner. Her father (David Samra) is a quiet type whose only barely conceals his pain. Her mother (Frances Sternhagen) is bedridden, and it's only later revealed that she is dying of cancer.

Using the Taylor family, *Independence Day* focuses clearly and sympathetically on what matters to most North Americans right now: having enough money, making the best of one's youth, and choosing death vicariously through Jack Parker (David Keith), with whom Mary Ann becomes ac-

quainted, but just returned to Newbury after not making it as a rising car driver. The Parker family in the flip side of the coin: the father does not even bother to greet his son on his homecoming, calling him a "loser." The son-in-law (CJF De Young) finds into unrelenting, jealous rages and beats his wife (Clemence Wootton) to a pulp.

Clearly, both Hoffman and the first-time director, Robert Mandel, work on the audience's sense of humor (the characters have a sort of dawning, down-home slant on the world's absurdities) before getting to the movie's emotional marrow. *Independence Day* is one of the few movies in recent memory in which the audience is unshaken by tears. Mandel's direction, while occasionally drawing too much attention to its filmic work, is surprising simply for the superb handling of actors, giving rise to scenes of almost unbearable poignancy. Quinlan and Keith are especially adept in expressing small-town frustration, and a deep concern for each other, without being mawkish. And Quinlan shares a "fatherly" scene with Sternhagen that is bound to crack the hardest heart. But the real finds of *Independence Day* are West and De Young as the shamed, battered wife and the husband, yet haunted, husband. Anybody wishing to see an example of a living hell and look no further.

*Independence Day* is all about leaving and staying, what is valuable about roots and what is not. It is dull, moving, horrifying and as good a reflection on such matters as can be hoped for.

—LAWRENCE O'TOOLE

# An illustrious stage in transition

"I feel like the Hunchback of Notre Dame," said Linda Griffiths last week as Toronto's most venerable alternate theatre opened its 20th production in its year. O.D. or Paradox, coauthored by Patrick Bryner and Griffiths. The multitalented performer has not been seen in her traditional haunts since 1988, when *Maggie and Pierre*—her experimental collaboration with Paul Thompson. Theatre Passe Muraille's former artistic director—was gone for 12 years—showed her with stardom. Now, her latest work, a quirky and insightful probing of befuddled Canadian tourists on Toronto's beaches, highlights significant changes at Passe Muraille. Directed by Thompson's successor, Charlie Rogers, designed by associate director Jim Platon and featuring the theatre's other associate director, Lapse Col-

lison, former artistic director of Toronto Theatre. But it's a particularly Canadian approach that will stay with us. With Rogers eager to work on scripted plays, Thompson felt that Toronto was no longer the place to practice his art. However, he will continue on a project born in what he calls "power places," such as Edmonton, Saskatoon, Montreal and St. John's, where the collective traditions still thrives.

At Passe Muraille the shift in direction has been pronounced. Rogers' strength is in working with actors and script development, his most notable success has been Judith Thompson's *The Chalkhills*, which originated at Passe Muraille before blurring off last February at Montreal's Centre Theatre. This fall Rogers staked his claim by presenting three first plays with in production (Sara Thill, *The Green Dol-*

lone standard), and the appointment of Platon, one of Canada's most acclaimed designers, represents another new direction for the theatre. Design has never been Passe Muraille's forte, partly because its building—a converted bakery built in 1905, now designated a historic site—is divided into three awkward playing spaces. Maintaining it in good repair has drained energy and resources, but last year Platon, tagged "the master of time and space" by Rogers, will supervise the juggling of the upstairs and downstairs theatres.

O.D. (shortages how Platon can illuminate a work by plumbing its content and creating an organic interplay between text and setting. Instead of the proscenium arch at 28th Street, Platon decided that O.D. needed to make a set as possible. Now it plays in the

reced inside a satellite tropical paradise, complete with palm trees, 20 tonnes of sand and water lapping at the beach.

Passe Muraille has high economic hopes for O.D. (see sidebar) is still a major concern. Natural problems of transitive have been aggravated by changes in administrative style.

"Thompson was so charismatic," he had a very different way of looking at things than (Clarke at every level," says the theatre's former general manager, Susan Serran. As Rogers endures his own methods in stressful times, both of administration are becoming dangerously tangled. *Food-walking* was cancelled last season, and cash shortages were so acute that royalty payments to Griffiths and Thompson for *Maggie and Pierre* were regularly deferred.

But Rogers is continuously paying off debts and will scale down future productions or by off itself rather than increase the deficit.

Ultimately, however, the theatre's fate depends on its human resources, including inventive and dedicated professionals like the original creators of the Passe Muraille children's show *Alphabet Pie*, who reprised at Christmas in brief of the second half of the season with an unexpected hit. The mingling of old and new blood should revitalize a creative institution whose creative accuracy has unexpectedly slowed the landscape of Canadian theatre.

—MICHAEL CHAMBERLAIN



Wendy Beatty, Sheree Dyer, Sharon Staune, J. Winston Carroll and Nicky Carroll

man, in a leading role, O.D. has been given the royal treatment by the new guard.

Thompson's exit last spring ended a prolonged power struggle between himself and Rogers, then his associate director. Collaborative does/dramas—works collectively created by actors who thoroughly research a subject and improvise scenes until a full-fledged play emerges—are his trademark. The most astounding achievements were *The Paris Show* and Rick Salata's 1987, but in recent years the theatre sagged. The fashion for the Passe Muraille documentary has had its dip," notes Bill

plon and Ted Fenton) to minimal audiences, imperilling his operational cash flow. However, he rebuffs critics who preach box-office syndrome. "The important thing is not to develop [but potential]," he says, "but to give the playwright a hearing. If we are to continue our new works mandate, the criteria must be artistic, not economic." Rogers nurtured O.D. in several fashions after directing the original production at Saskatoon's 25th Street Theatre last winter, he supervised two revivals before presenting it ready for rescripting.

Rogers also wants to improve produc-



Phillips and Guinness shared performance in a clumsily involving drama

## TELEVISION

# A deadly intelligence test

SMILEY'S PEOPLE

by, Jan. 20, 27 and Feb. 3

Although its much-awaited second season has become so hot that even the royal broadcaster is not impervious to casual critics, Britannia still raises the waters upon which the espionage thriller sails. The second of the best is an ex-spectacle called *Dave* (Cormell), aka *John Le Carré*. His two latter-day works brought to television by the BBC—*Thames*, *Tolson*, *Soldier*, *Spies* in 1979 and new *Smiley's People*—present masterly, occasionally involving drama. And television has proved to be a superb medium for Le Carré's tales of the shadowy running time of each series affords the extensive scope they need to emerge.

Le Carré's 1963 novel and 1968 movie, *The Spy Who Came in from the Cold*, showed a conspiracy—and public how well the gray subtleties of the Cold War could be realized in the television of an espionage, suspenseful author.

His was no less Fleming opening bright heraldic yards about valiant agents and master villains but a craftsman who might have been schooled on Guy Capron-Barnett and Marlowe. Le Carré's most fully fleshed

creation is George Smiley, a doped professional working for the Circus, a superspy unit in Britain's labyrinthine and searctic intelligence network. In *Thames*, *Tolson*, *Soldier*, *Spies*, Smiley was brought back from retirement to smolder out a "case," or double agent in the workplace. He ultimately exposed the man who betrayed not only the country but Smiley himself by turning an affair with Smiley's free-spirited wife, Ann.

*Smiley's People* continues the designs rears—drive that is Carré has been weaving Smiley's uneasy retirement in again disturbed by a sequence of events that points to the machinations of his longtime Soviet adversary, known as Kirov. To sniff out the truth, Smiley works but dutifully cut through the bureaucratic perspectives of the self-serving apparatus, consisting of aging civil servants, independent operatives working out of dubious cars shops and disgruntled Baltic emigres.

Jovely and bespectacled, like Guinness on Smiley evokes a terrifying intelligence. When delicately trying to coax a long-forgotten fact out of a naïve or prevaricating colleague, his eyes are downcast, his voice like Bette Davis' when he is staring into the fathomless

distance where he might encounter the missing piece in the puzzle. Clipped and tart of speech, he imperiously turns on people, like Smiley's friend, Connie (Beryl Reid), former head of research, referred to a dog named in Gorbodach with her bottles and a youthful bride-like woman who claims to be Smiley's Concubine in the Penelope habit of the narrative, her meticulous memory is the ultimate record of all the inflections, the duplications and where the bodies are in the. Their bittermost confrontation plays like the best theatre.

Indeed, all the actors in this steadily cut, tall-told-tale drama force characters whose manner of speaking reveals their virtues and fears. When Atkins, the hunchman in the plot, unveils the marrow-deep cynicism and cynicism of a Soviet emperor is Paris still haunted by the spectre of an elaborate intelligence

operation. An awfulful Ann Smiley, Susan Phillips radiates the kind of charm that inevitably leads to desert. And two actors who have played on-screen villains in James Bond movies—Michael Gough and Curt Jurgens—have as human beings instead of caricatures. The realistic scenes shot on location and the evocative photography—particularly exterior—conspire to make the story seem like a novel, a place with half a salute, a tin box of yellow chalk—serve as worthy backdrop to superior acting.

While Le Carré's plots do not have the drive and pace of Fleming's, they are equally extraordinary in their own, mythic way. More the heir to Eric Ambler, whose British tales featured group detectives, not brook cooperation, Le Carré demands sharp attention who must watch what is when, and why. It is a truth, partial truth or a downright lie? The film world of *Smiley's People* is not one in which Miami is held for ransom by threat of nuclear holocaust. Much more humane, the reality between Smiley and Kirov is conducted like a chess game by postcard over the course of three decades by mortal enemies finally one of the aged but implacable partners goes together like few moves that meet and grow. The self-offering virtues appear being congratulated on winning, about winning, about winning. "Did I? Yes. Yes, well I suppose I did." This is an apt, understated for a splendid story, where bold ideas of right and wrong are shrouded in muffled shades of gray. —BILL MCVICKAR

# Who was that MP in the towel?

By Allan Fotheringham

As a man returns to Ottawa, thankful after a long holiday season away so as to accommodate his annual brain transplant, he sees it has been one winter of no content. Parliament is not in session from the festive season, which scrambles only to Alan Baker's as the most useful of any capital on the globe, has been as much as Bob Kaplan's personality. The prime minister is abroad in sunny climes, endorsing himself to his electoral base and the politicians in the Grit family by suggesting that "everyone else" in Canada is at a ski resort or in the Caribbean. The Tories continue their age-old practice of eating their young. Jim Clark, making a mockery of the most publicized applicant delegate of the 2,000 who will gather in Winnipeg, Peter Worthington, who said outside the propaganda process of The Toronto Star in the biggest city of the land, the one town the Tories must win if they are to remain government.

Given the landscape (on the Liberal side) and the ineptitude (on the Conservative side), this season of boredom has served as the only winter of experience that has occurred over the long holiday season. The MP in the towel (who doesn't the cocktail parties, has put the pass into a post-Christmas turn, and endures the gatherings of swindlers, in which previously the most lively conversation was the heated debate over individual pensions, the subject that in Ottawa replaces herps as dinner table talk.

The identification of the MP in the towel, you see, is the only thing that matters at the moment in Ottawa. The MP appeared in his towel (government) in the corridors of our hallowed Parliament, where all the unique decisions of the nation are decided. He (in, to be fair, she) made the wrong decision.

The situation is that said MP, perhaps lured by the Christmas solstice, was engaged in a favorite indoor sport with a lady friend when one of the young Senator Fotheringham is a columnist for Southern News.

male pages stumbled into the MP's office and was charged to discover the distinguished (bribe of the people) fragrance delta. Being discreet as well as shocked, she immediately fled, like Ellen over the sea from Our distinguished MP, such was his mistake, fled after her, did only in his government's towel, to plead with her not to enter. His lady friend, appropriately engaged at his decision to interrupt the heated action to protect his reputation, slammed the door and locked it. Said MP, one of the 282 who decide our fate, was left puzzled in the married bulletin page.



scrap hole of gossip without complete strangers grasping up. Ironically, the logic and desirability to know the identification of the decision-maker. It is the responsibility, obviously, of this department to relieve the nation of its security. It was not, it can be said with assurance, as MP from Prince Edward Island, where they still drink a new religion is a harsh control device. It was not, not assured, any of those Alberta Tories who purchase their securities by the paid and co-ordinate their auditors by bribe.

The Montreal MP has taken to phoning the wire services so as to put on the record the fact that he is not the subject in question, a denial, one suggests, that might cost him election next time in that city where French is a daily ritual. After extensive research, I have determined that it was not the Toronto Liberal backbencher Ray Bouchard de Cormier. It was not any Liberal from British Columbia, I have found. Although we have been dominated this century by backdoor prime ministers, even MPs—in they should be for the mental health of the nation—are married. So there is a responsibility to

way and was forced to walk—a winter and, one trusts, a better politician as a result—through the hallways corridors to find a security guard to supply him with a key and, one might add, his dignity.

One says, as one can imagine, Ottawa has been aware with the former going to work out the identity of the man with a smile on his behind, last was chasing a terrified teenage page down the passageway that have seen Lazarus, Mackenzie King, Dief the Chief, Pierre Elliott Trudeau and Herb Gray pass this way. Alert to any responsibility, I feel it is my duty (unlike all those cowardly Ottawa scribbles) to identify the decidedly not public MP who has beset the reputation of that otherwise pristine institution.

The manuscript, I can assure you without any qualifications, was not Stanley Kunitz's. It was not—and I put my reputation on the line—Flora MacDonald. One cannot enter a watering hole, not to mention a drugstore, in this

dear town who are innocent of the role earned.

It was not, I can state with certainty, any Liberal cabinet minister whose name ends in R. It was not, and I stake my reputation on this, the MP's friend Robinson. Seriously concerned about my own situation, I investigated and found, to my relief, that it was not the MP of my calling, Patricia Carney. It can be asserted that it was not a representative of a criminal gang of the 19 provinces.

A journalist would be without responsibility if he did not clear those who are innocent, while the capital punts in curiosity and anticipation. The nation hoped to know those involved in the Gordia Manager caper. This time, the truth must out. Jean Chrétien is innocent. Erik Nielsen it was not. It was not even George Hens. Judy Korda was not involved. There is not a government-issue towel that would corroborate Walter Baker. And Steve Paproski isn't me. It is my duty. I must protect the innocent.



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